

## **Task Force on Community Benefits**

### **Final Report**

#### **Issue**

The Saskatchewan Chamber of Commerce (SCC) wants Saskatchewan businesses to have every competitive advantage within the bounds of the law and interprovincial trade agreements when it comes to public sector tenders. In this regard, the current SaskBuilds Community Benefits criteria, which considers all vendors that use Saskatchewan labour, is an important element of the criteria for tender determination. It must become a mandatory criterion used in all tenders not just an optional clause as it stands now.

Furthermore, the SCC believes that due to the importance and spirit of Community Benefits, more can be achieved for Saskatchewan businesses. A recent change in the Community Benefits protocols by the Minister of SaskBuilds and Procurement showed a crack in the commitment to the principle and, as such, this Task Force was created to seek clarity and to better understand and inform the process moving forward.

As an outcome of the broad-based discussion on procurement, we also believe a renewed focus on innovation and the establishment of best practices to continually enhance the expertise around procurement by business, government, and private and non-profit agencies can lead to better outcomes and value for the citizens of Saskatchewan.

#### **Background**

- Community Benefits are a way to quantify other advantages and values offered in a bid beyond the lowest economic cost.
- Community Benefits give extra points to proponents who are using a large percentage of Saskatchewan labour and were introduced in late 2020 in response to the impacted economy due to the COVID-19 pandemic. The concept was built through extensive collaboration with many sector representatives to get to a consensus position.

- The planned Government of Saskatchewan stimulus monies plus the current government operating budgets are into the billions. This spending, particularly over the next two years and if directed to Saskatchewan suppliers, is critical to get businesses back on track in this province.
- Trade agreements, such as the New West Partnership Trade Agreement (NWPTA), make it difficult to directly prioritize Saskatchewan companies, but it is understood that prioritizing the use of Saskatchewan labour was within the bounds of the NWPTA. This was the basis of Community Benefits, where added points could be given to any company tendering who used Saskatchewan labour.
- The principles of SaskBuilds are frequently mirrored by other non-government groups and organizations, and they are often a requirement when using provincial funds. Therefore, when a strident effort is not in place to offer Saskatchewan companies every advantage possible under the law, our businesses will lose tender opportunities across the various municipalities, associations, and agencies who use SaskBuilds practices as a model for procurement.

### **Potential Consequences of Inaction**

Saskatchewan taxpayers are investing significantly in post-pandemic stimulus projects, so getting the best value per dollar for the province over the long-term needs to be the government's priority. The failure to recognize the opportunity in-province businesses offer during procurement will affect the prosperity and advancement of Saskatchewan companies, Saskatchewan workers, and Saskatchewan's economic future. High-value careers and educated professionals that want to live here should not need to leave in search of better opportunities. The unprecedented investment the government is making is a unique chance to strengthen Saskatchewan's tax base and build consumer spending that will drive enhanced economic recovery. The vital role of in-province businesses must be recognized, otherwise the spin-off opportunities around the investments Saskatchewan taxpayers are making through stimulus spending could be lost, and so too could the local knowledge and talent that is required for economic growth. Unless fully supported, Saskatchewan businesses will be unable to advance and may either leave to prosper elsewhere or remain and face the challenges of scaling up. Business in Saskatchewan is on the cusp of entering a new economy, away from just traditional resource extraction. For Saskatchewan businesses to stay and thrive, they need support in the early stages and in scaling up to become competitive. Procurement can be leveraged in ways that help businesses succeed and the economy recover.

## Recommendations

### **1. *Make Community Benefits a mandatory element in all provincial tendering criteria.***

The current agreement with the road construction sector to remove Community Benefits should be a one-off agreement and it should be included in all future projects tendered by the province. Even if the procurement team believes there are no Saskatchewan companies who could or would tender, it needs to remain in place. Signaling the value of Community Benefits could trigger outside companies to hire more Saskatchewan workers or in some cases, it could incentivize a Saskatchewan company to bid to complete the service or provide the product even though it is a new area for them. The value of continually signaling the importance the Government of Saskatchewan puts on fair play and showing preference to bids who use Saskatchewan labour cannot be undervalued.

### **2. *Expand the definition of Community Benefits to include more than just local labour.***

There are a variety of environmental, social, and economic elements that could be included within the existing scope of Community Benefits to enhance local procurement. Considering if the proponent will use local businesses to provide goods and professional services would capture the benefit of indirect spending. Small and medium enterprises are more likely to be locally owned and employ local labour. Additional considerations include employing underrepresented groups in the labour market, including provisions related to apprenticeship opportunities, promoting sustainability, and minimizing environmental impacts. If the outcome leads to a particular strategic capacity within the province, for example the development of specialized skills in our workforce or the province becoming more self-sufficient in the supply chain, then improvements will flow throughout the community. Expanding the definition of Community Benefits would help support and justify procurement decisions. Incorporating more criteria so that procurement is awarded based on more than just lowest dollar amount is crucial for building value back into Saskatchewan.

Extra consideration should be given for Saskatchewan-based Indigenous companies that use local staff. As such, Indigenous involvement is treated as a separate consideration in these recommendations.

### **3. *Require transparent reporting in trade agreements by all Parties.***

Data and detailed analysis from the past few years regarding trade between provinces under the NWPTA is required to get a clear picture of the current state. To improve, require transparent reporting mechanisms and offer advantages for all Parties in trade agreements. The NWPTA should be amended so that each Party is required to publicly

disclose broad contract award details. Examples of disclosure information include the number of opportunities made available by such party under the NWPTA during a given time, a list of awards made to companies with their company headquarter location and a list of public entities participating in procurement practices that fall within each Party's jurisdiction. This data is critical to verify whether the trade agreements are achieving their intended goals and are implemented equally and fairly. We all need to learn if Saskatchewan businesses are securing an equitable amount of public sector business from other jurisdictions as compared to what the Saskatchewan public sector is awarding to out-of-province businesses. How are public procurement dollars being spent outside their respective provinces, at all levels of government? Transparency is essential for ensuring that all are following the same rules in a fair process.

#### **4. *Strengthen Saskatchewan competitiveness***

Investments must be made to help Saskatchewan businesses scale up so they can enhance their qualifications and become competitive outside of the province. The first step is ensuring that Saskatchewan companies are actively applying for bids and properly filling out tender requests and proposals. SaskBuilds' current training programs should be promoted, especially for municipalities.

The amount of relative experience with similar projects is often a requirement in a tender but must be more strategically determined, otherwise only the largest proponents with the most expertise in specific project types will win and Saskatchewan businesses will face slower growth. The sufficient level of expertise truly necessary for a project needs to be determined at the front of the tender process and all experience at a certain level must be valued for proponents.

In Saskatchewan, summary reports by SaskBuilds on why a Saskatchewan company was not awarded the contract for a Government of Saskatchewan tender should be required. This will inform Saskatchewan businesses and the procurement offices on ways they can improve and be competitive with their next bids. This summarized aggregate information must be distributed and available to Saskatchewan businesses to be effective. With this knowledge, an enhanced training or support structure could be created to address any identified areas of weakness. While the primary goal is to gain more Saskatchewan contracts by Saskatchewan companies, it will also have a crossover benefit that these same companies will gain strength and become more competitive in other markets.

Vendor engagement early in the procurement process, before calling for proposals, is crucial for improvement and adds value on both sides. Vendors would be able to strategically plan and prepare for upcoming procurements well ahead of time. Government would be able to receive advice from subject matter experts in the vendor

community with different and innovative options. This open dialogue would result in superior solutions and a better return on investment.

Other improvements for Saskatchewan procurement could include simplifying submission requirements, involving end users in the evaluation process, changing evaluations to be more judgment based and not disqualifying bids over insignificant technical issues. Additionally, when the Government of Saskatchewan grants dollars to a local agency or other levels of government the use of those dollars must include Community Benefits criteria and require reporting where those funds are being used. These measures can strengthen the data system and therefore add to the competitiveness of Saskatchewan businesses.

**5. *Conduct a cost-benefit analysis and accurately determine the risks.***

The Government of Saskatchewan should undertake a full review to determine the real cost of compliance with trade agreements and set an appropriate level of risk tolerance. The loss of revenue associated with losing a bid must be compared to the potential economic penalties of non-compliance. When Saskatchewan bids for services that are not geographically bound, such as IT and professional services, and are awarded to out-of-province suppliers, gross output, gross domestic product, labour income, and provincial government fiscal benefits leave Saskatchewan. Therefore, the cost of the penalties associated with prioritizing Saskatchewan businesses could be inconsequential compared to the direct benefits to Saskatchewan companies and workers should a Saskatchewan business be awarded the contract. This is important to consider when planning risk management systems.

Trade agreements by their nature impose costs to the public sector in the form of retaining and training more staff to comply with the trade agreements and in obtaining legal advice when issues around these obligations arise. The additional costs to small businesses competing for public sector work resulting from the increased complexity of public sector procurement imposed by trade agreements should be evaluated. The upcoming Government of Saskatchewan stimulus projects should be specifically targeted to stimulate Saskatchewan's economy and these benefits should be quantified.

**6. *Adopt a Small Business Set Aside Program.***

A set aside program for small businesses could be used to achieve the goals of Community Benefits. The Canadian Free Trade Agreement (CFTA) states that the trade agreement procurement rules do not apply where public sector agencies conduct procurements under a small business set aside program. According to the Government of Canada, a small business has between one and 99 employees while a medium-sized business has 100 to 499 employees. Small companies could use this opportunity to

quickly gain skills and grow. However, set aside programs must be fair, open, and transparent and not discriminate based on place of origin or location within Canada. A set aside program for Indigenous owned businesses could also be exempt from the trade agreement procurement rules. Implementing this type of program is a strong option for Saskatchewan.

For comparison, the U.S. procurement system prioritizes government investments that further social and economic goals and are exempt from international trade agreements, such as the North America Free Trade Agreement. Procurements over US\$3,500 and under US\$150,000 are automatically set aside for small businesses, with some exceptions. (Source: [Government of Canada](#)). In these cases, Canadian firms can only apply to participate as a subcontractor and are ineligible to be prime contractors.

#### ***7. Build up local talent using pilot projects.***

Businesses and universities and their private sector employer partners should collaborate to develop programs for in-demand skillsets that integrate experiential learning and opportunities to gain work experience. Building upon this, the government could designate procurement opportunities in these areas as a series of pilot projects. Potential pilot projects could initially include those in the digital knowledge sector and those related to food security. Contracts that are part of a pilot training program may allow them to be diverted away from the public tender process and thus no longer subject to trade agreements. This approach would offer numerous benefits to the province, including building expertise and locally engaging a trained workforce. Particularly where expertise does not currently exist, pilot projects could establish a knowledge base and build local talent. Universities and Saskatchewan Polytechnic could help with this effort by determining what skills will be necessary and how to train this workforce in consultation with industry and the agencies involved. There are countless opportunities for pilot projects in any sector to be used to benefit Saskatchewan people, businesses, and the economy.

#### ***8. Encourage procurement training to promote the awareness of and merits of Saskatchewan suppliers to local agencies, municipalities, and companies.***

Provincial government fiscal impacts are significantly greater when in province suppliers are used. This initiative could be led by SaskBuilds, with Chambers of Commerce and Economic Development Agencies helping to promote it. The goal would be for all companies to think “Saskatchewan first” to meet their procurement needs. Professional services are an important part of “buy-local” and messaging must expand to include them. Local companies are invested in our communities and interested in maintaining and strengthening relationships here.

The Government of Saskatchewan invested \$1 million into a Regina Chamber of Commerce led shop local program in 2020 and the Government of Canada is also directing over \$1 million into a shop local campaign in Saskatchewan in 2021. The spirit of these two campaigns must be felt in the entire business sector, expanding the focus beyond just retail and restaurants.

**9. *Right-size opportunities for Saskatchewan companies.***

Instead of tendering large projects in their entirety, tender elements of projects in smaller chunks to create a greater probability that smaller Saskatchewan companies can get involved in the project. Once these companies expand and grow through these smaller experiences, they will be able to deliver more project components in the future.

**10. *Emphasize Indigenous procurement benefits.***

Indigenous engagement leads to significant economic development for Saskatchewan. In his 2011 report, University of Saskatchewan Professor Eric Howe reported that the value, beyond any social or moral purpose, of bridging the Indigenous education gap and bringing the Saskatchewan Indigenous population to the same economic level as the broader population is a \$90 billion opportunity. Investing in Indigenous businesses through procurement will benefit Saskatchewan's economy and support economic reconciliation. There is little doubt that this is the most important economic opportunity on Saskatchewan's horizon and, as such, additional recognition for Indigenous participation needs to be maintained and incorporated into the procurement process.

## **Conclusion**

The creation of SaskBuilds' Community Benefits criteria and their use of collaborative consultation is encouraging. The issue we reviewed was a single component but one that could be critical to our future economic success as a province. We believe SaskBuilds is focused on the right direction but since the province is a role model in procurement, it is critical it leads the way in supporting and strengthening Saskatchewan business.

We thank the staff of SaskBuilds who offered input plus the numerous business and organization professionals who offered their expertise and ideas to the work of the Task Force.

The next steps are to take these recommendations and work with business and the Government of Saskatchewan, primarily through SaskBuilds, to implement them.