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**Proceedings of the Standing Committee on  
Government Services**

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Government Purchasing Agency

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Honourable Wade Verge, MHA

## **GOVERNMENT SERVICES COMMITTEE**

### Government Purchasing Agency

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Chair: Clayton Forsey, MHA

Vice-Chair: Steve Crocker, MHA

Members:

John Dinn, MHA

Paul Lane, MHA

George Murphy, MHA

Kevin Parsons, MHA

Calvin Peach, MHA

Clerk of the Committee: Elizabeth Murphy

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Appearing:

**Government Purchasing Agency**

Steve Kent, MHA, Acting Minister Responsible for the Government Purchasing Agency

Jason Card, Director, Communications

Ken Curtis, Departmental Controller

Patricia Hearn, COO (Acting)

Dwayne Legge, Executive Assistant

Leigh Puddester, Deputy Minister

**Also Present**

Eli Cross, MHA

Christopher Mitchelmore, MHA

Ivan Morgan, Researcher, NDP Office

Randy Simms, Official Opposition Office

The Committee met at 9:00 a.m. in the Assembly Chamber.

**CHAIR (Forsey):** Good morning everyone. First of all what we will do is we will introduce our Committee right here on the right. Before we introduce the minister and his staff, we have to elect a Vice-Chair again this morning.

Christopher we will start with you just with the introductions.

**MR. MITCHELMORE:** Christopher Mitchelmore, MHA, The Straits – White Bay North.

**MR. SIMMS:** Randy Simms, Researcher, the Opposition Office.

**MR. MURPHY:** George Murphy, MHA for St. John’s East.

**MR. MORGAN:** Ivan Morgan, Researcher, NDP caucus.

**MR. CROCKER:** Steve Crocker, MHA, Trinity – Bay de Verde.

**MR. CROSS:** Eli Cross, MHA, Bonavista North.

**MR. DINN:** John Dinn, MHA, Kilbride.

**MR. K. PARSONS:** Kevin Parsons, MHA for the beautiful District of Cape St. Francis.

**CHAIR:** Okay, thank you.

We need a Vice-Chair for the Government Services Committee. Could we have a motion or a nomination for Vice-Chair please?

**MR. K. PARSONS:** I nominate Steve Crocker.

**CHAIR:** Kevin Parsons nominated Steve Crocker as Vice-Chair.

Can we vote on that?

All those in favour, ‘aye.’

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Vice-Chair, congratulations Steve.

**MR. CROCKER:** Thank you so much.

**CHAIR:** It probably should not take too long this morning. We normally put aside three hours for Estimates. We probably will not use that this morning. In the meantime, we will alternate back and forth, ten minutes each for the Liberals and the NDP.

We will start with the minister to introduce his staff. You have a couple of minutes if you need a couple of minutes to address the crowd. If not, that is quite fine. We can carry on with questioning.

**MR. KENT:** Thank you, Mr. Chair.

Good morning everybody. We will do introductions first. Of course, my name is Steve Kent. I am the Acting Minister Responsible for the Government Purchasing Agency.

**MR. PUDESTER:** I am Leigh Puddester. I am the Deputy Minister for Procurement Reform.

**MS HEARN:** Good morning, I am Patricia Hearn, Chief Operating Officer for the Government Purchasing Agency.

**MR. CURTIS:** Good morning, I am Ken Curtis, the Departmental Controller with the Government Purchasing Agency.

**MR. CARD:** Jason Card, Director of Communications, Service NL.

**MR. LEGGE:** Dwayne Legge, Executive Assistant to Minister Kent.

**MR. KENT:** Thank you, Mr. Chair.

I will make a few brief opening comments and then we will get into the questions, which is the main reason why we are here.

It has been a really interesting day so far, though, Mr. Chair, I have to say. I wake up and the NDP is governing Alberta. So congratulations to my hon. colleagues across the House. I spent the next part of the morning working the drive through at McDonald’s with Paul Lane.

Now I come into work and I am sitting across from my former deputy mayor and the current mayor of my city. So, it has been a strange day so far. Then at lunchtime, George Murphy and I are getting a haircut together in the lobby of West Block. So, it has been a bizarre day already, and I fear it is only going to get worse, Mr. Chair.

**MR. MURPHY:** (Inaudible). It seems like Budget cuts are affecting everything these days.

**MR. KENT:** Yes, indeed.

I am the Acting Minister responsible for the Government Purchasing Agency, so I am pleased to appear before you to discuss the Estimates figures for the agency. I am fairly new to this role, as I think members are aware. I am filling in for one of our ministers who are on leave at the moment.

I have had a number of meetings related to the agency. I am happy to answer whatever questions I can. In the meantime, I am also very happy to defer to my colleagues here from the agency who are more than happy to answer any questions in more detail than I am able to provide.

I want to thank you all for joining us. I want to thank our staff for help in preparing for today's session. As everybody is aware, the Government Purchasing Agency is the central procurement unit of the Government of Newfoundland and Labrador. It is responsible for managing the procurement process for goods and services on behalf of all government departments. The agency processes and oversees in excess of 19,000 procurement transactions annually, including 500 public tenders which, in total, are valued at approximately \$250 million.

The agency advertises bidding opportunities related to goods and services, as well as posting tender notices for construction and related services. The agency not only conducts government purchasing under the authority of the Government Purchasing Agency Act, but also oversees the Public Tender Act, which is the primary legislation that governs procurement within the Province's public sector.

In addition to these regular duties of the agency, we have also been actively working on developing a new public procurement act. Through this process, the provincial government is following through on its commitment to the wise use of public funds, which in turn ensures the maximum value is achieved for the people of the Province. There is still work ongoing to finalize that procurement framework which is inclusive of the act, regulations, and policies. This work could include ongoing consultations with key stakeholders into the future.

Our government is being very thorough in its approach. It is taking some time. When we bring a new act to the floor of the House of Assembly it will be the right legislation to meet the Province's needs.

I want to make the most of our time this morning, Mr. Chair, so I will not give a big speech. I am happy to take questions from members of the Estimates Committee.

**CHAIR:** Okay, thank you minister.

I forgot myself. I am Clayton Forsey, Member for Exploits and Chair of the Government Services Committee.

The minister has already got a day's work done and it is only 9:00 o'clock in the day. It feels like 5:00 o'clock to him probably.

Anyway, we will begin the questioning and we will start with you, Chris.

**MR. MITCHELMORE:** Okay, line 1.1.01 –

**MR. KENT:** It is a good place to start.

**MR. MITCHELMORE:** – 01, Salaries, the budget last year was \$2.24 million and the revised Estimates show \$1.5 million in Salaries. Could the minister explain the \$700,000-plus drop? Were positions eliminated? Were there vacancies? How many people are working for Government Purchasing Agency, if we could get a breakdown on that?

**MR. KENT:** Sure, thank you for the question.

Of course the Salaries line includes permanent employees, temporary employees, overtime, and

other related salary costs as well. The drop balance that the hon. member refers to of \$733,200 in the Salaries line resulted from a couple of factors.

First of all there was a vacant deputy minister and executive secretary position for most of the year. Mr. Puddester, in addition to serving as the Deputy Minister Responsible for the Government Purchasing Agency, is also the Deputy Minister of Service Newfoundland and Labrador. We pay him very well there so he cannot receive two salaries of course.

That explains part of the drop balance. As well, there are four vacant positions recently designated for strategic procurement. There are also vacant positions within general operations and there has been some staff turnover during the year.

The vacant deputy minister and executive secretary position results in about just over \$141,000 of savings. The other positions I just mentioned that have been vacant either for the full year or part of the year, that total is close to \$592,000.

**MR. MITCHELMORE:** Okay. Since the Estimates this year go back to the same value as what was budgeted, the \$700,000-plus increase, does the department plan on filling the DM and the executive secretary position? Or will those continue to remain under the leadership of the Service NL Deputy Minister?

**MR. KENT:** At this point in time our intention is to have the current deputy minister continue. We have no immediate plans to add an additional deputy minister at this point in time.

**MR. MITCHELMORE:** Why are the salary figures at \$2,247,600? Shouldn't they be revised down at least to \$141,000 if that position is not going to be filled?

**MR. KENT:** Part of the challenge which faces all government departments and agencies is that there continues to be salary increases that need to be factored in as well. That would explain some of that amount.

Leigh, I do not know if you want to add anything else.

**MR. PUDDESTER:** I guess the key thing is that although there are – as the minister said at this point – no plans on filling that position, there is a contingency built in there that in the event there is a change in organizational structure, that there are sufficient salary dollars there to cover that off. Obviously, if the position is not filled, that will be a savings that will result.

**MR. MITCHELMORE:** Okay, so for Budget 2015-2016, currently, how many permanent employees are there? How many temporary employees? How many vacancies?

**MR. PUDDESTER:** The Government Purchasing Agency has a staff complement of thirty-two permanent positions. There are also eight temporary positions within the agency. Right now, three of those temporary positions are vacant and fourteen of the permanent positions are vacant.

**MR. MITCHELMORE:** Under the Operating Accounts of Salaries, the Employee Benefits, you have budgeted \$1,500. There was none utilized and you are adding, still, the \$1,500 in Employee Benefits. Would these be employee benefits at the executive level because the deputy minister position is not filled, so it is not being used?

**MR. KENT:** The Employee Benefits line provides for workers' compensation costs that are incurred as a result of staff being injured while at work. It also includes some miscellaneous registration fees for any training courses or seminars.

We hope no one is injured on the job. It is always our goal to not have any injuries in the workplace. There is potential that there will be some usage of that budget line for registration fees for professional development for staff.

**MR. MITCHELMORE:** Just to clarify then, if this is for workers' compensation fees and none were submitted last year, what is going on with the mandatory fees for workers' compensation?

**MR. KENT:** The mandatory fees would not be in that budget line. What this line provides for is any workers' compensation costs that are incurred if somebody is injured on the job. It

does not relate to the mandatory employment-related costs.

**MR. MITCHELMORE:** The transportation costs last year, there was \$23,000 spent out of a \$70,900 budget. Can you explain a breakdown of why maybe almost \$50,000 was not utilized? Were there things that were planned in terms of consultation around procurement that did not take place?

**MR. KENT:** The Transportation and Communications line includes a number of items. It includes travel by employees of the agency, postage costs, telecommunications expenses, and courier charges, for example. The drop balance of \$47,900 was mainly due to reduced travel as Newfoundland and Labrador withdrew from participation in trade agreement negotiations. The agency actively participates in those negotiations, so there were some savings as a result of the Province withdrawing from participation in those negotiations until further notice.

In addition, expenditures relating to training and auditing were limited based on vacancies, also based on spending restrictions that were implemented partway through the fiscal year throughout government, and also timing changes in the implementation of the new legislation that we are still working on.

**MR. MITCHELMORE:** Would it be possible to get a listing of the fourteen permanent vacant positions and the thirteen, a description of what those positions are, and the three vacancies as well as the current positions that are filled?

**MR. KENT:** We will endeavour to provide that information. That is not a problem.

**MR. MITCHELMORE:** Thank you.

The Professional Services line last year was revised; \$80,000 was allocated and \$148,100 was spent. That is a ballooning number. I am wondering if you could explain what purchases were made in terms of Professional Services. Was a consultant hired to do specific work within the Government Purchasing Agency?

**MR. KENT:** That is a very good question. The line item includes a couple of things. It provides

for auctioneering fees for the disposal of government assets and that occurs every year. It also includes consulting services related to procurement opportunities, and also related to legislative issues which explain the difference last year. The increase of \$68,100 was due to additional auction fees, and a consultant to assist with RFP development and strategic procurement.

I can give you some information on what that consultant work included. It consisted of amending the policy and procedure manual as it relates to legislative reform. It also included the development and implementation of standardized procurement templates for RFP development and also for strategic procurement. Finally, that consultant work also consisted of management of existing strategic procurement contracts while focusing on strengthening them and redefining them for future years as well.

**MR. MITCHELMORE:** Would we be able to get a copy of this new updated policy and procedure manual?

**MR. KENT:** We can certainly provide it once it is finalized as well. It is still under development, is my understanding. Certainly as soon as it is available we would be happy to provide it.

**MR. MITCHELMORE:** Could we get a breakdown of the fees as to what were the auctioneering fees and what actual assets were disposed of?

**MR. KENT:** We can provide that information. That is not a problem. Just to your previous question, I should also note that a lot of that policy and procedure development that is underway relates to the development and drafting of the new legislation that we are working on. It is tied in. That still continues to be a work in progress.

We can get you details on the audit fees. That is also not a problem. I am happy to provide that.

**MR. MITCHELMORE:** Would you be able to provide the information around the contract and what the terms of reference would be for this consultant when it comes to RFP development?

**MR. KENT:** Yes, we can provide that information.

**MR. MITCHELMORE:** Is this consultant doing two different aspects? You are talking about RFP development. Government has already endeavoured into a number of RFP contracts. Are they following the current rules for a RFP policy and procedure manual? If so, can we have that document? If not, if it is just a work in progress as you are saying, what are the criteria when it comes to RFPs here in the Province?

**MR. KENT:** You are asking if there have been any changes to the RFP process in the Province?

**MR. MITCHELMORE:** Yes.

**MR. KENT:** What I will say, generally, is that despite the fact that we have not brought in new legislation, our work on improving procurement practices in government continues. We are always looking for opportunities to get better value for taxpayers' money, and there has been a number of initiatives related to strategic procurement reform undertaken that has saved taxpayers considerable dollars.

I will ask Mr. Puddester to elaborate a little further.

**MR. PUDDESTER:** With respect to Requests for Proposals, there are no changes in place in terms of the rules around those. Those would be governed by the current Public Tender Act or guidelines for the hiring of consultants. I think what you are seeing is that we are starting to consider the use of them more frequently than in the past where there has been a predominant focus on tenders as opposed to Requests for Proposals.

The development of some of the templates were around trying to provide some consistency and best practices for public bodies to consider if they are going to use RFPs rather than tenders. I think that has been the change. I am not sure if I have answered your question.

**MR. MITCHELMORE:** Sure.

When RFPs are called, are the criteria made public around how a company would be chosen

that would be somewhat open and transparent – because there may be 50 per cent allocated to financial reasons, technical, or whatnot. Can the public find out, when RFPs are reviewed or selected, what aspects were pertaining to technical, what aspects were financial, or if there were other reasons why a company, may be a Made in Newfoundland and Labrador content or other regulations – when these are put forward, is there information given on that, Mr. Puddester or minister?

**MR. KENT:** You go ahead.

**MR. PUDDESTER:** I cannot speak for every RFP because each public body would be responsible for issuing their own. They are not centrally issued necessarily by the Government Purchasing Agency; however, good practice when it comes to Requests for Proposals is to provide an explanation to the bidders as to how a decision on a winner will be made. That would typically include, as you said, a listing of the various criteria that would be used to judge a proposal as well as the weighting that would be used, as you said, financials at 50 per cent, previous experience at 25 per cent or whatever the combination.

**MR. MITCHELMORE:** Okay.

**MR. PUDDESTER:** Those would typically vary depending on the nature of the work that you were acquiring and obviously the individual circumstances.

Typically those documents would all be available publicly either through the Government Purchasing Agency's website or the websites of the entities that were issuing them. That information would typically be in those.

**MR. MITCHELMORE:** Minister, based on what you have said in this consultant work that is ongoing, the March 5 tabling of the procurement by public bodies act has died on the Order Paper. It is not coming back in the House of Assembly. You are saying a series of consultations need to take place, et cetera. When can government expect or the people of the Province, business, companies that do government purchasing, contracts with government, anticipate seeing this new legislation?

**MR. KENT:** It is a fair question and one that I know has been asked previously in Estimates. It is very difficult for me to pinpoint when that legislation will be ready. I can tell you that we still have more work to do. We want, for obvious reasons, to be very thorough. We want to ensure that we get it right. It is not simply a matter of making some minor adjustments to existing legislation. It is also not a matter of simply looking across the country and picking somebody else's legislation and changing a few details and adopting that.

We are trying to come up with something that is unique and progressive and reflective of the realities of doing business in Newfoundland and Labrador. That work is ongoing. I wish I could be more precise with you, but I can assure you that as soon as that legislation is ready to go we will be having discussions as a Cabinet and ultimately bringing that legislation into the House of Assembly. I cannot say whether that will be this session or not.

**MR. MITCHELMORE:** Thank you. Minister.

**CHAIR:** Thank you, Christopher. I appreciate you starting off in the right spot this morning because I neglected to call for the subhead, which I will right now. So we will call for the subhead.

**CLERK (Ms Murphy):** Subhead 1.1.01.

**CHAIR:** Subhead 1.1.01.

With that, George, you will get your fifteen minutes.

**CLERK:** Ten.

**CHAIR:** I am sorry, ten.

**MR. MURPHY:** Thank you very much.

Good morning, Minister, and good morning to all of your staff. Thanks for the work that you are doing, in advance.

Mr. Minister, just to pick up on some of the lines of questioning that have already occurred here this morning, what are some of the issues that are holding up the new procurement act? Are

you at liberty to say what some of those issues may be?

**MR. KENT:** I really do not have anything further to add beyond what I just outlined, I would say, respectfully. There are no specific issues holding things up, as you suggest. It is more of a case that the work is continuing. Our research is continuing. We continue to look at what is happening in other jurisdictions. Now, as a result of new ATIPP legislation coming into place, we also need to examine if that new legislation has any impact on the work that we are doing in terms of procurement.

We just want to make sure that we get it right. We want to be thorough. I look forward to seeing us introduce new legislation because I think there are opportunities to take procurement reform in this Province even further. There have been a number of initiatives in recent years that we have undertaken that have resulted in significant savings for taxpayers.

We need to continue to do that work, and that work is definitely not on hold while we development new legislation. We are always looking for opportunities to do better in that regard, but ultimately we want to put a modern, progressive legislative framework in place and we want to make sure we do it well and do it correctly.

**MR. MURPHY:** Okay.

You mentioned earlier as well in the line of questioning about a consultant that have been awarded some of the work here as regards to the new regulations that will be coming in. Can you let us know who the new consultant is? Was it an unsolicited Request for Proposals that was put in on the part of this party or if government went looking – was it a tender process, for example, for the consultant work?

**MR. KENT:** There were two consultants involved. One is a gentleman named Mr. Joe Day, who is actually a former employee of the Government Purchasing Agency with considerable background, experience, and expertise. Particularly given some of the turnover and some of the vacancies that exist at the Government Purchasing Agency, having somebody with Mr. Day's experience and skills



has been extremely valuable in the ongoing work of the Government Purchasing Agency.

In addition to that, there was a law firm contracted to assist with some of the work on the RFP templates as well. So those would be the two consultants involved.

**MR. MURPHY:** Which law firm was that?

**MR. KENT:** Mr. Puddester, do you have the name of the law firm? I do not have it at my fingertips.

**MR. PUDDESTER:** I believe the name of the firm was actually the Procurement Office out of Ottawa, so they are public procurement specialists.

**MR. MURPHY:** Okay. All right, thanks for that.

Just to come back again to earlier discussion, you mentioned trade negotiations. There were some costs as regards to the trade negotiations that were happening. Can you adlib on trade negotiations, with whom?

**MR. KENT:** Any trade negotiations that the Government of Newfoundland and Labrador are involved in, there is a role for the Government Purchasing Agency to play. While those negotiations are typically led by the Department Business, Tourism, Culture and Rural Development – which is a mouth full – there is a role for the Government Purchasing Agency because of the procurement implications of some of those negotiations.

As a result of the Province withdrawing, for the time being, from participation in trade agreement negotiations, as a result of issues related to CETA, which I know members are well familiar with, there has been some savings in the Transportation and Communications budget line for that reason.

**MR. MURPHY:** Okay, so it is just from the CETA negotiations themselves that these savings were realized or were there other negotiations?

**MR. KENT:** The one we actually withdrew from was the Agreement on Internal Trade.

**MR. MURPHY:** Agreement on Internal Trade, okay.

I want to ask about the role of the Government Purchasing Agency and their role with other departments, for example, the Department of Transportation and Works and their role in awarding a contract to Damen shipyards. Did Government Purchasing have a role in briefing the Department of Transportation and Works, for example, on the issues of the impacts of free trade agreements, that sort of thing? Was there any consultation with the Government Purchasing Agency on that?

**MR. KENT:** I would say upfront that the Government Purchasing Agency regularly consults with other government departments, as required. For instance, even in the short time that I have been the Minister of Health and Community Services, my department has had reason to seek advice and guidance on procurement practices from the Government Purchasing Agency. The health authorities would do that from time to time as well.

As to your specific question around Transportation and Works, I will ask Mr. Puddester to respond. It pre-dates me.

**MR. PUDDESTER:** The Department of Transportation and Works is responsible for the procurement of capital projects including, in this case, transportation-related ferry contract. So that contract would have been led by themselves.

I am sure there were consultations with the Department of Justice lawyers who would have procurement experience, but they did not ask the Government Purchasing Agency for any input into that. That would not be unusual.

**MR. MURPHY:** That would not be covered by you people at that particular time.

I am just wondering because, of course, one of the oversights with the contract was the realization that we had a free trade agreement with Chile at the same time and there was a way that they scored it, one purchase over the other from Romania. I was just wondering, your department did not have any influence or they would not set guidelines in this particular case

over procurement. Whose responsibility would that be to make a department aware, for example, that there would be a free trade agreement in place that would affect purchasing in this particular case?

**MR. PUDESTER:** The Department of Business, Tourism, Culture and Rural Development have primary responsibility and ownership of our trade agreements. The minister mentioned GPA's involvement with the procurement aspects because most trade agreements do have a procurement element. Our role in negotiations has typically been to advise on the procurement-specific issues. Our legislation is quite open in this Province when it comes to procurement aspects of trade agreements, so we rarely have any issues locally in terms of the impacts those agreements would have on our specific Province.

**MR. MURPHY:** Okay.

**MR. PUDESTER:** In the case of that contract, they would have taken advice, I would assume, from the Department of Business, Tourism, Culture and Rural Development.

**MR. MURPHY:** Okay.

The Auditor General has had issues in the past with public tender exceptions, as we know from past reports. Last year, we were told in Estimates that there was money allocated for travel, for auditing, and training around the Province that would help people to ensure that they understand and comply with the Public Tender Act; training on when they can use exceptions to open calls and how to make sure that they are doing those to be compliant with the act. I notice that the department has – well, in this particular case, fourteen permanent positions are gone. What are we doing as regards to education around the Province when it comes to this now, what the Auditor General was talking about?

**MR. KENT:** You go ahead.

**MR. PUDESTER:** We did have auditor positions in the staff complement. We did have some challenges in filling those positions last year; however, two of three positions are now filled. We do have auditors in place. We are

proceeding to develop the audit program for the current year, which would address reviewing the procurement activities of various public bodies.

In terms of the exceptions, though, that are reported, those are not generally – when exceptions are reported by departments all of them are reviewed by the staff, the Government Purchasing Agency, and follow-up with the departments and public entities who have filed forms – Form B is for exceptions – those are made anyway. So they were not held up because of the lack of auditor positions.

Typically, about 25 per cent of all exceptions are quarried –

**MR. MURPHY:** Yes.

**MR. PUDESTER:** – to seek more information or clarification as to the rationale for the exception. That activity is going on. There are audit positions now in place to review the practices of those other bodies.

**MR. MURPHY:** Okay, that is good.

So there is money in this budget for more training then obviously, according to that. I guess, Mr. Chair, at this point I will carry on with a couple of line items that I have because I have no further questions that come to mind right now.

Just in Purchased Services, \$139,000 was budgeted for but only \$65,000 was spent. I take it – well, maybe you should give me the breakdown on what happened here, why the money was not spent, and of course \$89,000 was budgeted for this year.

**MR. KENT:** Thank you.

I will speak to a couple of the Purchased Services numbers. First of all, to provide some context, the Purchased Services line provides for advertising, copier rentals, maintenance, printing, and other general purchased services. It also covers membership in the Purchasing Management Association as well.

The decrease of \$50,000 mainly relates to one-time funding received in 2014-2015 for training material and an e-procurement system and based

on timing changes related to the new act as well as procurement system requirements under CETA, it is now anticipated that the development of an e-procurement system will occur in 2016-2017 instead.

The drop balance of \$74,000 relates to timing changes in the new legislation and the development of the system.

**MR. MURPHY:** Could you tell me how much membership is in this Purchasing Management Association?

**MR. KENT:** I cannot, but maybe somebody else can.

**MR. MURPHY:** Who would be the other members of this association, for example?

**OFFICIAL:** (Inaudible).

**MR. KENT:** My officials tell me it is a fairly small figure. It is probably approximately \$1,000. It is not a big amount of that line.

**MR. MURPHY:** Who would be the other members of this purchasing association?

**MR. KENT:** Other jurisdictions across Canada would be members.

**MR. MURPHY:** If we could have a list, out of curiosity if nothing else, just so that we can see, if that is possible.

**MR. KENT:** Yes, we would not have the full list of members of that association in our possession, but we can certainly get it for you. That is not a problem.

**MR. MURPHY:** Sure, okay.

Just down here to Revenue – Provincial in line 02, if I can get a breakdown of what was happening here. I am thinking that this might be monies that people might have had to put in for proposals, that sort of thing, tenders.

**MR. KENT:** So, the Revenue – Provincial line that you are referring to is revenue that we received from the disposal of assets.

**MR. MURPHY:** Okay.

**MR. KENT:** For instance, in the last fiscal year, there was an auction that took place in Deer Lake, there was an auction that took place in Holyrood, and there was one in Grand Falls-Windsor as well. There were a number of disposal tenders, and that line also includes the sale of items by the auctioneer.

In terms of the difference between the numbers from year to year, there was an increase of approximately \$100,000 over the previous year's revenue. That is because we conducted one additional auction. There was also a significant additional disposal tender. So that would explain the difference.

The revenue for auctions fluctuates from year to year based on the disposal schedules of departments. Those kinds of items that could be included range from vehicle to furniture to scrap metal, and the auctioneer fee is based on gross sales. The auctioneer's fee is 12.8 per cent. That is covered under Professional Services.

**MR. MURPHY:** Okay.

There is nothing else I can think of at this particular time, so I will digress to the Opposition, if the Opposition has any questions at this particular point in time.

**CHAIR:** As you can see, I want to treat you the same as Christopher, so we just let the time go on, the extra five minutes for you, because we only started you at ten.

**MR. KENT:** It is time well spent, Mr. Chair.

**CHAIR:** So you are finished, George?

**MR. MURPHY:** I think so.

**CHAIR:** Okay.

Back to you, Christopher.

**MR. MITCHELMORE:** I wanted to ask of the current fifteen employees that are with Government Purchasing, is there any indication that some of these will be retiring within the next five years; and will that impact, based on government's attrition plan, the staffing levels at the Government Purchasing Agency?

**MR. KENT:** We are subject to the attrition targets, like other government departments and agencies. Our target for this year is one position, and I believe it is three positions over the next five years that represent the attrition target. Like every organization, there are retirements and resignations from time to time. Certainly, the Government Purchasing Agency would be no different in that regard.

**MR. MITCHELMORE:** Okay. Minister, would all of those positions be permanent positions that are in the target or would some of them be temporary positions as well that would fit in that target?

**MR. KENT:** It could be either is my understanding.

**MR. MITCHELMORE:** Okay.

I want to go down to the Purchased Services and what Mr. Murphy was talking about around revenue, around the auctioneering fees that you said there were additional auctions. This year you are projecting less revenue so you are anticipating having less auctions and less sales from surplus assets or things that need to be disposed of.

**MR. KENT:** Truthfully, it is always a best guess. We cannot predict from year to year exactly how many auctions will happen or what value will be derived from items that are sold at auction.

This past year was a little higher than normal because there was an additional auction. There was also a significant disposal tender that was in addition to what was anticipated. So we anticipate that this next year will be similar to past years. We think it was a little higher than normal last year, which is a good thing if we are generating additional revenue through the proper disposal of assets that are no longer needed for public purposes. We think that the \$258,000 is a good guess based on the trends over the last number of years.

**MR. MITCHELMORE:** So of the \$25,000 that is in the Estimates for Professional Services, what percentage of that is budgeted for auctioneering fees?

**OFFICIAL:** (Inaudible).

**MR. KENT:** Sorry, I am just making sure I am giving you accurate information. All of that line is for auction services this year. In the Professional Services line this year, there are not fees for consulting work budgeted.

**MR. MITCHELMORE:** Right.

Getting back to my previous question about the report and the consultant that was hired for the RFP and the approval, since there is no payment this year, in this year's budget, when do we anticipate that a report will be made available to the Government Purchasing Agency that can be made public?

**MR. KENT:** There were two elements of work done in the previous fiscal year, as I outlined. One was a law firm was engaged to assist with the templates for the Request for Proposals. Mr. Day was engaged to assist us in the development of policies, procedures, and other things that would be necessary as we advance the legislative reform that is contemplated. That is ongoing. Our work is ongoing, but the consultant's input into that process has now concluded.

The result of his work is not a formal report, per se. He has been involved in working with the agency in the development of policies and procedures and assisting in the development of the new legislation.

**MR. MITCHELMORE:** Okay.

You had also confirmed that government has pulled out of AIT. Is that correct?

**MR. KENT:** That is correct.

**MR. MITCHELMORE:** There is no other trade agreement that government has currently suspended negotiation talks. Because it appeared that there were a number of others made public previously around the Asia-Pacific or TTP, South Korea, and there is a variety of ongoing that Canada would be having with the world.

**MR. KENT:** To clarify, we have suspended our involvement in all of them. The only one that

the Government Purchasing Agency was actively involved in at this point in time was the Agreement on Internal Trade. If you have questions related to the status of those other negotiations, they would probably be better directed to the minister responsible.

**MR. MITCHELMORE:** Of course, I agree.

The AIT, though, there is already a current trade agreement in place for AIT. The current round of negotiations were to enhance or expand the role; is that correct? Would the department or the government in general still have to follow the current agreement that was signed?

**MR. KENT:** My understanding is yes, that is correct, but our role is to offer input on procurement-related issues. We are not the agency of government that leads trade negotiations, or even manages or co-ordinates trade negotiations. That is typically led by the Department of Business, Tourism, Culture and Rural Development.

**MR. MITCHELMORE:** Okay.

I do not think that I have any other questions at this time, but I do believe my colleague for Mount Pearl South, who is responsible for this portfolio, has a question.

**CHAIR:** Before I do, I go back to George. Do you have anything else, George, before we clue up?

**MR. MURPHY:** No, Sir; I am good.

**CHAIR:** Okay, that is fair.

Do you want to clue it up, Paul?

**MR. LANE:** Yes. Thank you, Mr. Chair.

Mr. Minister, in terms of the Auditor General, the Auditor General did a report back in 2012 and had a number of concerns around purchasing. According to my notes here anyway, he reported a total of 1,472 exceptions that were valued at over \$100 million. We were assured at the time that there would be training that would be taking place to deal with all those issues.

I recall there were issues there around exceptions, for example, and people just using emergency in areas where I think most people would feel and I think the AG felt that it was not an emergency, and there was plenty of time to put out RFPs, tenders and so on. There were a number of other issues. As I said, over 1,400 of them.

I am just wondering what training has taken place. I assume it would be led by the Government Purchasing Agency. Perhaps the departments themselves would actually do the training, I am not sure, but certainly you guys would be the lead on it, I would imagine. What has been done in terms of training in the departments to assure that the Public Tender Act and the RFPs and all that stuff is being applied the way it should and to also ensure that all of the documentation is being filled out correctly? I believe that was another area of concern that there was a lot of documentation that was not filled out, or it was not filled out properly and so on.

If you can comment on that, please.

**MR. KENT:** I certainly can. Thank you for your question. As you joined us in progress, I want to begin by wishing you a Happy McHappy Day. Your drive-through performance was questionable, but so was mine. They did allow me to handle the money. I am a little uncomfortable from a safety perspective that you were handling the food, but I know that organization has good quality control standards, even on McHappy Day.

To your question, first of all, the Auditor General in 2014 did provide an update on progress that has been made on the 2012 recommendations, and considerable progress has indeed been made. On the training question specifically, I am going to invite Leigh and Patricia to comment. I can tell you that there has been informal training conducted internally. There is not a formal training program as such, but I will allow Mr. Puddester to start.

**MR. PUDDESTER:** Yes, training is an important part of the mandate of the Government Purchasing Agency moving forward. The strategic plan for 2014-2017, that was one of the primary focuses. The plan talked

about initially the focus was going to be on developing some training material in an approach for the GPA staff, and then once that was in place, it was going to start to be broadened to the public sector overall.

So some work was done on that in the most recent year, and I will ask Patricia to speak to that in just a second – and again, that will then be expanded outwards. What I would say, though, is the training specific to exceptions is just one part of what we would want to be training civil servants on how to do. Obviously, it is a very large act, and the focus would be on ensuring they have got a good understanding of how to use the act quite broadly, including those exceptions. There is not a specific program focus just on exceptions; it is a broader issue that we are trying to deal with.

**MR. LANE:** Yes, thank you. I understand that; that was just one part I was keying in on.

**MR. PUDESTER:** I would ask Patricia if she might to just elaborate on the training that has been done.

**MS HEARN:** Sure. Thank you for your question.

In terms of the Public Tender Act, it encompasses the exceptions as well as the rules for public tendering. In this past year, we have taken on a journey of training both the public sector employees within core government, in the departments, as well as we have reached out to other government-funded bodies. Within the Province, we have in excess of 500 government-funded bodies that follow the Public Tender Act.

So it is a challenge, of course, to get the training out and to reach all entities. What we have done in this past year is we have had seven sessions to train all entities in terms of the contractual obligations of the Public Tender Act, including the exceptions that fall within the legislation as well.

In terms of your second question, filling out – I think the Auditor General referenced filling out the Form B or the exception report incorrectly. What we do on a daily basis, these forms come directly to the Government Purchasing Agency. We have the expertise in-house for many, many

years now that we will provide clarity to each individual exception. When a question comes up, if it is not filled out properly or correctly, we will actually contact the government-funded body directly, have a one-on-one conversation to explain and bring clarity to the exception itself.

What we do then is we roll up all of those questions throughout the year that come in as a result of the Form B's and we incorporate that into our training material as we move forward.

**MR. LANE:** When you talk about the government-funded bodies – first of all, it is the same training I imagine, but we are talking about internally in terms of all of the government departments and agencies that we would be doing training. Are there any measures in place or training, for example, for municipalities because they also have to follow the Public Tender Act? Or if there is no training, is there any monitoring or whatever to make sure that those bodies are in compliance as well? Like school boards and things like that also.

**MS HEARN:** Yes, we do. We roll out the training to both core government, which is the departments, and we invite as well government-funded bodies to attend where possible.

Within the St. John's region, we hold one-on-one in-person training. We also provide for virtual training for any individual across Newfoundland and Labrador to attend as well.

**MR. LANE:** Okay, thank you.

The only other question I had – and I am assuming, again, in a general sense it would fall to this division, but certainly it applies to all departments. We have heard of the concept – I believe my colleague here for Virginia Waters may have referenced it in the House yesterday or the day before – this phenomenon that I think she said it was March madness, where basically you have this scenario where because come March 31 is year end and you have departments that have budgets and I guess there is thought that if you do not spend the money you will not get the money next year. So you hear all of these stories all the time about let's purchase some new vehicles. Even though the vehicle we have might be fine, let's buy a new one anyway. Let's buy new furniture. Even though the

furniture we have may be fine, but let's update it. Let's paint everything. Let's tear up the carpets, whatever.

What measures are in place, if any – because it is one thing to have practices in place to deal with if you make a purchase, that you are required to put out RFPs, tenders, whatever, but is there any mechanism or monitoring, or auditing or whatever done at all in government to ensure that when departments are making these purchases that somebody at least spot checks to make sure that this is a reasonable purchase, this is a needed purchase that is being made.

**MR. KENT:** I have seen the light – the little red one I mean.

I will provide some general commentary because the issue you are raising really does not involve the Government Purchasing Agency directly. We exist to ensure that proper processes are followed when government is involved in purchasing, as you are well aware.

**MR. LANE:** Yes.

**MR. KENT:** There are numerous checks and balances in place in the public service to prevent the phenomenon, as you refer to it, from occurring. It is one of those issues that I, too, have heard over time, and as a minister it is an issue that I have definitely watched for over the last couple of years. In this past fiscal year, there has been even greater scrutiny. There has been a freeze on any discretionary spending so we, as ministers, expect and demand that our deputy ministers and the executives in our departments ensure that the freeze is adhered to and that discretionary spending is not occurring.

Exceptions, when there needs to be money transferred from one budget line to another or there is some other sort of deviation, those decisions have to go directly to Treasury Board for approval. As the Vice-Chair of Treasury Board, I have seen numerous issues come to the table where we really examine them carefully; they are under very close scrutiny to make sure that there is good justification for any funds being spent and that they are truly necessary.

I think government has gotten better at managing that dynamic and ensuring that funds are not spent unnecessarily, and that is even more important when you are in tough fiscal times as we find ourselves. I know the Premier and the Minister of Finance and other members of Cabinet would have no tolerance for discretionary spending that is not absolutely necessary, and any spending decision has to be justified.

**MR. LANE:** Still on this same train of thought, I suppose, I am wondering – you say you have auctions a couple of times a year or whatever. Maybe you can comment on the frequency; you may have already and I may have missed it.

You have auctions, so at some point in time I am assuming – and you can correct me – somebody decides that this surplus equipment, maybe it is table and chairs, or whatever it might be that a particular department or division within the department from any part of the Province that has this equipment they no longer need so it is going to be auctioned off. Is there a warehouse somewhere, for example, that all of this excess equipment would go to, to be stored until you have enough of it to do an auction? Can you explain how that system works for me?

**MR. KENT:** There are some warehouses, but there are other options as well. I will let Mr. Puddester speak to that.

**MR. PUDDESTER:** There are a couple of different things that happen. First of all, if it is things like furniture, filing cabinets, chairs and things, the Government Purchasing Agency actually operates its own small warehouse where we will take that material and try and reuse it within government first because oftentimes we will have other departments who need chairs, filing cabinets, or whatever. Before, obviously, we dispose of those through an auction process we will try and reuse them internally.

Again, that is done through GPA's own small warehouse. When it comes to assets that are surplus for government's needs, those would typically be spread out all over the Province and be all sorts of different types. They would often be held by the department wanting to dispose of them until we can arrange for an auction to take place. That would be based on critical mass,

where the items are, what they are and those types of things. I think sometimes we also give them to the auctioneering firm to hold until we are ready as well.

**MR. LANE:** Okay, that is great. The first part of your answer kind of answered where I was going. I was wondering about it being reused because, obviously, from a cost perspective it would not make sense if you have equipment and you are putting it in storage for auction and now you have another department who needs that equipment and are going to buy new stuff, so I am glad to hear that there is some reusing going on.

In terms of that reuse, is that something that if you hear about someone looking – if I could put it this way: Does every department know or whatever, or is there a protocol, if you will, in each department that says if I need some new chairs before I issue a purchase order to buy new chairs, I must first contact Government Purchasing to see if we have chairs that can be reused; or is that discretionary, they can do it if they feel like it; or are they required to do that? Do you know?

**MR. PUDESTER:** I might ask Patricia to answer the details on that one, if I could.

**MS HEARN:** What we offer through the Government Purchasing Agency, through our Intranet, is a website that shows what we currently have at our warehouse accessible to core government users. Any public servant who is looking for a chair, a desk, some of the small more office furnishing type things, they can go online and see some photos that we have up.

We do not have a policy in place or a procedure in place where it is mandatory to do that. The departments have the right to spend their money as they choose, but they do have access to our database of what we currently have. That changes daily, so we try to keep that updated as much as possible so that you can see, in real time, what we currently have at the warehouse.

**MR. LANE:** Thank you for your answer. I am a little disappointed with the answer, but thank you for it. I think it could be argued that we should have a policy. It is fine to say here is our inventory, go look at our online catalogue; but if

you do not want to look at it, you can go and buy brand new stuff because you do not want to use that, even though what we have is perfectly fine.

Just as a comment, I suppose, for the record, I think that it is something that should be looked at to make it mandatory, but I do thank you for that answer.

**MR. KENT:** Can I just speak to that, Mr. Chair?

**CHAIR:** Yes.

**MR. KENT:** I will not prolong the discussion, but I just want to be clear that we have an expectation – there is certainly a good general understanding among departments that we should reuse first. What I have witnessed in the departments that I have been in is just that: you reuse the good equipment. Then there is equipment that may no longer be in great condition and certainly not in perfect condition and may no longer be suitable for reuse. That is often the equipment that ends up in surplus, that ends up going to auction, that ends up in warehouses.

I just want to be clear that there is a very good amount of reuse occurring, wherever possible, and the equipment that ends up not being reused and going into a warehouse to be sold at auction is usually far from perfect condition, just to be clear.

**MR. LANE:** Thank you, Mr. Minister.

On that, I am wondering if you can provide us, if you do not have the numbers per se, with a sense of what is the uptake. If you have this system in place, then I would like to know: What is the uptake? How many departments are actually doing that?

Do they all know about it?

**MR. KENT:** They definitely –

**MR. LANE:** It is the first I ever heard of it. That does not mean anything just because I never heard of it. I have never heard of that process before.



**MR. KENT:** All I can tell you is that in the various departments that I have been in, it has been clear that practice is in place. Equipment is reused. There are people in departments who coordinate the assets that are within that department and ensure that equipment is put to good use. If somebody is in need of a new desk, or whatever the case may be, the first objective is to find that equipment within the system, as opposed to simply getting a purchase order.

It may be difficult to quantify exactly how much of that is going on, to your particular question, because each department is managing its assets. I can certainly tell you from experience I have seen it happening in every department that I have been in. It is one of those issues that executives within departments would be paying close attention to also.

**MR. LANE:** Okay, thank you.

The last question I have – and it relates to what my colleague here asked, but I do want to go back to it just for a second – is the procurement by public bodies act. As was indicated on March 5, that piece of legislation was introduced and it basically died on the Order Paper.

Now we are into May 2015. That is over three years. Now we are still talking about – I believe the words you used, Mr. Minister was that it is an ongoing process; we are trying to gauge best practices and we want to get it right. We obviously agree. If we are going to do it, let's do it right. We are talking over three years and we still have not seen it.

I am just wondering why that big gap? I know that you have not been responsible for this portfolio up until now, or recently, but it was a full three years where somebody had an opportunity to get it right. As a matter of fact, it was already written. If it was on the Order Paper it means it was written, ready to go.

Obviously all the work at the time was done. Maybe it needs to be tweaked, but it would seem to me that three years later and now we are still talking about trying to get it right; that seems like an excessive amount of time to redo, or revamp, or tweak what was already there.

I am just wondering, I know on a go-forward basis you are going to say, well, I appreciate that, but why the three years of nothing, or what seems to be nothing?

**MR. KENT:** I appreciate your question. First of all, I do not feel it would be fair to say nothing has been done. In fact, we can demonstrate that is not the case. I will not rehash everything I have already said because I do not really have a lot new to say beyond what I have already said this morning on this issue. I can tell you that despite the fact we have not brought in new legislation, there are many initiatives to improve procurement within government that have been ongoing and that have saved money over those three years that the member is referencing.

Beyond that, the legislation is taking more time than anticipated. We are continuing to work on it. There have been issues raised that we want to further explore. As we outlined earlier, we have engaged expertise to assist us in that work. We are developing the policies and procedures. So we are looking forward to introducing that legislation as soon as it is ready.

I cannot say for certain that it will be in this session of the House. That remains to be seen as our work continues, and that depends on the legislative agenda, of course, too. I have spoken to this issue a couple of times this morning and I do not really have a lot else to add, Mr. Chair.

**CHAIR:** Thank you.

**MR. LANE:** That is all I have, Mr. Chair.

Thank you.

**CHAIR:** Okay. Thank you, Paul.

Paul Lane, the Member for Mount Pearl South, right?

**MR. LANE:** South, yes.

**CHAIR:** Never got in on the introductions in the beginning. He was just a little bit late getting in, but thank you anyway.

**MR. KENT:** His drive-through orders were late as well, Mr. Chair.

**CHAIR:** Thanks for the reason.

Okay, we will call for the vote. We will call for the subhead.

**CLERK:** Subhead 1.1.01.

**CHAIR:** Subhead 1.1.01.

Shall the total carry?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Carried.

On motion, subhead 1.1.01 carried.

On motion, Government Purchasing Agency, total head, carried.

**CHAIR:** Shall I report the Estimates of the Government Purchasing Agency carried without amendment?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Carried.

Thank you.

On motion, Estimates of the Government Purchasing Agency carried without amendment.

**CHAIR:** There were some Government Services Committee minutes circulated from yesterday, May 5, for the Department of Transportation and Works.

Can I have a motion for adoption?

**MR. DINN:** Moved.

**CHAIR:** John Dinn.

We do not need a seconder for that, do we?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Carried.

Thank you.

On motion, minutes adopted as circulated.

**CHAIR:** Okay, I thank the Committee. I thank the minister for filling in and doing a great job this morning on such short notice, because he is only acting, and the staff as well.

With that, I will ask for a motion for adjournment.

**MR. DINN:** Moved.

**CHAIR:** Moved by John Dinn.

Thank you very much.

**MR. KENT:** Thank you.

On motion, the Committee adjourned.