Lee Kuan Yew School of Public Policy
National University of Singapore

469C Bukit Timah Road
Oei Tiong Ham Building
Singapore 259772
Tel: (65) 6516 6134 Fax: (65) 6778 1020
Website: www.lkyspp.nus.edu.sg

Lee Kuan Yew School of Public Policy
Working Paper Series

The Supply of Policy and Management Consultancies to Canadian Federal Departments: New Evidence on Contract Size, Type and Structure

Michael Howlett
Burnaby Mountain Chair
Department of Political Science
Simon Fraser University
Burnaby BC Canada
and
Yong Pung How Chair Professor
Lee Kuan Yew School of Public Policy
National University of Singapore
Singapore
Email: Howlett@sfu.ca

and

A. Migone
Department of Political Science
Simon Fraser University
Burnaby, BC
Canada V5A 1S6
Email: amigone@sfu.ca

April 6, 2013

Working Paper No.: LKYSPP13-03

Abstract:

The use of external consultants in government has been an increasingly important focus of attention in many countries, including Canada. Numerous studies were undertaken in the 1990s and 2000s as legislatures and their accounting arms became concerned with this practice but they yielded little information on key questions such as the average size of contracts and their dispersion. Utilizing a new federal government dataset compiled from data released since the creation of the Federal Accountability Act in Canada, beside the increasing demand for consulting services, we find a trend emerging in supply whereby a small group of companies have began to dominate federal government management consulting in terms of the size of contract awarded. However the vast majority of contracts remain small and medium-sized and often involve repeat services, resulting in a complex system of consulting activity and impacts across different units.

Introduction

Until 2012, the Government of Canada maintained a unit - the Government Consulting Services (first within Audit and Consulting Canada and since 2005 within Public Works and Government Services Canada) - that provided management consulting services to agencies and departments.[1] However, a recent report noted that:

> *while there is a continuing need for management consulting services, in the areas covered by GCS, there is no evidence of a continued need for a separate, internal consulting service provider like GCS. There is considerable overlap with the present capacity in the private sector and individual federal departments that offsets the need for an internal service provider* (Office of Audit and Evaluations 2012: i).

As a result of this review, PWGSC stopped offering these services as of March 2012 so that the Federal Government will now rely fully on the private sector.

Significantly, however, GSC employed only109 people and the fund allowed for its activity in 2009/2010 was $18M (Office of Audit and Evaluations 2012: 2-3). This represented only 4.41% of the total management consulting expenditure by government departments (Office of Audit and Evaluations 2012: 6-7), which for some time has been dominated by external, private sector players about whom little is known.

The management consulting field in Canada, in general, is much broader than the public sector, of course (See Table 1) and this sector has been growing overall at a rapid rate with high rates of returns to participating firms. Spending for all Management Consulting (private sector, government, and individuals) increased from $6,514.5M in 2001 to $8,724.5M in 2010 (an increase of 25.3%) and the operating profit margin went from 19.0% to 22.4%

Table 1. Sales by Type of Client for the Consulting Services Industry, Canada

	2001	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*
	percent									
Clients in Canada	89.6	90.1	92.2	90.9	92.0	92.4	92.0	91.2	92.9	90.7
Individuals and households	2.2	2.7	3.1	2.8	2.3	1.4	1.6	2.5	2.0	2.3
Governments and public institutions	17.1	17.7	19.5	16.7	16.0	13.4	15.7	17.2	17.8	15.6
Businesses	70.4	69.6	69.6	71.4	73.7	77.7	74.7	71.6	73.1	72.8
Clients outside Canada (exports)	10.4	9.9	7.8	9.1	8.0	7.6	8.0	8.8	7.1	9.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The smallest firms, in terms of revenues earned, are not included in the estimates. These firms account for a relatively small portion of total industry revenues.
Note(s): *The results in this table are for firms classified under the North American Industry Classification System (NAICS) category 5416.*
Source: Statistics Canada Bulletin 63-259-X; various years.

The increasing use of external consultants by governments, however, has begun to attract attention and has become an increasingly important focus of concern. This is true not just in Canada but at the international level in many countries where in recent years studies and Parliamentary inquiries into the subject at the national and sub-national levels in Australia and the UK, for example, have been undertaken (ANAO 2001; House of Commons Committee of Public Accounts (UK) 2010).

The specific findings of these studies are discussed below. However, generally speaking, using external consultants has generated at least two correlated questions with which these studies have been concerned: how to control costs and ensure value-for-money has been attained and, more broadly, to try to assess the effect that employing consultants has had on the efficiency and effectiveness of government activities. This is true of the use of consultants generally throughout government but also more specifically, in their use in a policy and management capacity, the focus of this paper.

The main thrust of most analyses of this phenomenon to date has been on the financial impact of contracts rather than on their effects on the content, speed, or other aspects of the content of public officials' policy decisions and/or their impacts on the policy capacity of government agencies. For example, there are few studies of the long-term staffing and human capital effects that may develop as a result of contracting out policy or management advice on a regular basis to external actors (Riddell 2007, see also Vesely 2012). The impact of consultants on policy processes has also not been a major part of the recent assessments of policy work in Canada and elsewhere (Bakvis, 1997; Saint-Martin 2005; Speers, 2007; Howlett and Newman 2010). Rather, areas of concern in an age of increased spending on outsourcing have included such subjects as the potential negative effects of poor contract design on both government finances and program efficiency (Amey 2012; Woon Kim and Brown 2012), contract management capacity in government (Joaquin and Greitens 2012) and the nature of competition within the scope of contracting (Girth et al 2012; Woon Kim and Brown 2012).

We can partially explain the amount of attention paid to economic benchmarking by noting that most arguments supporting the use of external consultants do so by looking

at their use as a mechanism to rationalize or reduce government expenses. Governments influenced by New Public Management (NPM) practices in many jurisdictions in recent years, for example, became ever more conscious of cost-accounting procedures and at least in a general sense tried to include more efficiency into government activities by increasingly shifting the public service away from administering programs to managing them. This is the essence of the 'service' or contract state described by Freeman, Vincent-Jones and others in which a variety of 'contractees' would actually deliver goods and services on government behalf rather than have these delivered by government employees (Freeman 2000; Vincent-Jones 2006; Butcher et al 2009; DiFrancesco, Uhr, and Mackay 1996; Weller and Stevens 1998; DiFrancesco 2000; Tiernan 2011).

This move towards the 'corporatization' of public services was somewhat successful in improving classic cost accounting benchmarking measures for government efficiency in many areas of government activity (Bilodeau, Laurin, and Vining 2007) but has been of limited use when exploring the effects of this change on policy analytical activities and other aspects of government policy-making.

Because of the data limitations that we detail below, this article deals primarily with the broad category of Management Consulting as defined by the Treasury Board Secretariat. However, we are also able to offer some limited commentary about policy consulting activity. Until recently the data problems in this area of inquiry were acute and some problems remain in this area at present. Perl and White (2002: 51), for example, in their path breaking 2002 study of policy consultants in Canada defined policy consulting as involving "the engagement of external analytical capacity by state actors to perform all or part of the strategic, research, assessment or evaluative tasks that comprise the

functions of policy analysis" and noted the long-standing problem of separating consultants hired to perform more rank-and-file jobs such as information technology consulting, or management consulting broadly writ, from those who actually can be classified as policy advisors or policy consultants. And many other problems also existed at that time related to existing data collection techniques in government, which either did not cover the relatively small contracts which make up the bulk of policy consulting work and/or blended policy-related work together with other activities such as 'professional services' or 'temporary work.' In many cases decisions about these reporting matters were left up to individual units, meaning whatever data existed was often idiosyncratic and it was very difficult to arrive at an accurate assessment of the scope and use of any kind of consultants, including policy ones, across government.

This is still the case in many countries. In the years since Perl and White wrote, however, some steps have been taken in Canada to deal with some of these issues although often unintentionally and linked to other government efforts at further cost efficiency or to contracting scandals and their aftermath. In a bid to rationalize and streamline the process of government procuring between April 2008 and January 2009, for example, Public Works and Government Services Canada (PWGSC), the main contractor for federal government contracts, consulted with industry within the scope of the "Task and Solutions Based Professional Services" (TSBPS) project to generate a more defined and uniform process of data collection on outside goods and service contracts. This process helped develop a set of shared rules controlling reporting across government agencies.

Access to data about federal government contract expenditures has also recently been improved dramatically in the aftermath of a 2004 scandal surrounding Quebec advertising contracts kickbacks to the Liberal Party of Canada ("Sponsorgate") (Gomery 2005; 2006). In response to this scandal, first, on March 23, 2004 the Federal government introduced rules of 'proactive disclosure' according to which, beginning in October 2004 details on all contracts above $10,000.00 would need to be published on government websites. This increased the number of contracts reported in detail, lowering the old limit of $100,000 used for Public Accounts. The second tool is the *Federal Accountability Act*, which came into effect on December 12, 2006. The Act has legislative, procedural and institutional facets designed to increase the transparency and accountability of all government spending including contracting. The Act, along with a new framework for procurement accounting procedures and the requirement for each agency to table an annual report were intended to improve transparency in many contracting arrangements. The Act also introduced other important changes related to contracting, for example with the creation of the Office of the Procurement Ombudsman, which is tasked with addressing perceived fairness issues in the procurement area. The federal government also created a new Management Accountability Framework (MAF) that lays out the Treasury Board's expectations of management best practices across all areas of government including contracting.

The new data and enhanced clarity are useful in inquiring into government contracting in general, but also for policy-related consulting. Of the remaining data-related problems the most important is the continuing classification of policy-related contracts into larger categories for management consulting. Our survey of Federal

Agencies and Departments found that most contract data is kept for a limited period of time and that specific contracts would have to be analyzed individually by staff to assess whether, and the degree to which, they contain policy elements. This imposes a focus in this paper on management consulting rather than policy consulting, per se. However, given the richer databases that now exist we can discern some patterns in policy consulting from this larger category of activities, which, in itself, of course, also remains a subject of interest among scholars and practitioners (See Saint-Martin 2005; 2006, Speer 2007).

Policy Consulting in Canada: The Field Until Now

Beyond a few early pieces on policy and management contracting from the 1960s and 1970s (see for example Deutsch 1973 and Meredith and Martin 1970), we can frame studies of consultants' roles in Canadian government into an initial set of primarily empirical works written at the end of the 1990s and a later set of more empirical discussions about policy advisors and their impact from after 2000. The first set of studies tended to rely on anecdotal analysis and required the authors to mine relatively unspecified and un-detailed public accounts dealing with 'professional services' in general for numbers on the cost and pervasiveness of policy consultants at both the federal and provincial level (Bakvis 1997, 1997; Saint-Martin 1998a, 1998b; Perl and White 2002). More recent research into policy work in government has examined the role of policy analysts and advisors at both the provincial and federal levels through surveys and other data gathering techniques but to date has odealt with external policy consultants only in passing (Howlett and Newman 2010; Howlett 2009; Prince 2007; Saint-Martin 2005, 2006; Speers 2007).[2]

Perl and White (2002: 52) in their seminal 2002 study found that the "evidence for a growing role played by policy consultants at the national government level is compelling in Canada" noting that annual, government-wide, expenditure on "other professional services" reported in the Public Accounts of Canada for fiscal years 1981-82 through 2000-01 showed "a continuous increase from C$239 million in 1981-82 to C$1.55 billion in 2000-01. This represented a 647 per cent increase over two decades. They found that Canada's spending on external policy consulting did not just grow in absolute terms, but also relatively as a share of total government expenditures and that "spending on external policy consultants increased steadily from 0.35 per cent of total government expenditures in 1981–82 to 0.97 per cent in 2000-01, almost tripling Ottawa's budgetary allocation to policy consulting" (Perl and White 2002: 53). However, Perl and White also noted the aggregate nature of the data they used, and the difficulties this created when analyzing policy consulting. The Treasury Board and Public Accounts data they used at the time combined together all kinds of professional services, many of which, for example, in the information technology or geology or environmental areas, had little direct impact on public policy decision-making.

These and other similar problems were also highlighted by the Public Service of Canada in its own 2010 study of the use of temporary help services – including most consultants – in eleven Canadian public service organizations. That study focused especially on how temporary help services were often used "improperly" to address long-term resourcing needs.

The study concluded that:

> "In our opinion, the study reveals an additional workforce within the public service — one that is not subject to the PSEA, and that is used

> for long-term and continuous work" (Public Service Commission 2010: 3)

MacDonald (2011) utilized early results from the new federal databases to argue convincingly that this trend in contracting was intensifying as federal departments initiated measures to "cut expenditures in an age of austerity" (MacDonald 2011: 5). Unlike previous studies the new data allowed MacDonald to distinguish between several different types of smaller contracts and to extract specific kinds of consulting services from more general 'temporary help' categories. He found the cost of federal personnel outsourcing of temporary help, IT consultants and management consultants since 2005-2006 to have ballooned by almost 80%, to nearly $5.5 billion. He identified the ten top contract areas in a range of professional and other services (see Table 1). Several of these areas are not policy related and therefore of less interest in our study, but one of the largest – "Management Consulting" – does have large policy effects and attributes (Perl and White 2002).

Table 1 – Top 10 Contract Areas 2005-2010

FIGURE 1 **Top 10 Contract Areas (April 2005 to June 2010)**

Description	Total (April 2005 to June 2010)
Other Professional Services	$ 3,833,835,461
Architectural and Engineering Services	$ 3,629,932,477
Computer Equipment	$ 3,319,088,496
Management Consulting	$ 2,422,039,296
IT	$ 2,179,246,399
Business Services	$ 1,329,298,953
Telephone and Voice Services	$ 1,085,863,138
Software	$ 988,382,443
Temporary Help	$ 845,899,781
International Development Goods & Services	$ 697,115,212

SOURCE Proactive Disclosure

Source: MacDonald 2011: 8

More significantly, the new data sources also allowed for the identification of both the major users of consulting and temporary services as well as the suppliers. He found a pattern in which, generally, a small number of heavy users interacted frequently with a small number of large providers in a form of symbiotic relationship. Among government agencies he found that the growth in personnel outsourcing was concentrated in four large departments — Public Works and Government Services Canada, National Defence and Canadian Forces, Human Resources and Skills Development, and Public Safety and Emergency Preparedness. Together these four Departments made up half of all federal government outsourcing. And the use of contracts of all types by these agencies increased dramatically vis a vis internal goods and service provision over the period for which data is available. Their payrolls, for example, increased by only 9% since 2005–06, but their personnel outsourcing costs rose by 100% (MacDonald 2011: 5) This analysis revealed a pattern of increasing demand for goods and services by a small number of large government departments in Canadian government, at least at the federal level,[3] which was increasingly being met by the private sector.

Howlett and Migone (2012a; 2012ab) looked at the general picture with respect to the category of management consultancies, especially as concerns the *demand* of contractees. Tables 2 and 3 detail changes in the total spending on Management Consulting at the federal level for 2005-2012. This data fits with the general picture for temporary help and contracts in general set out by the PSC and MacDonald in their reports although noting this phenomena may have peaked in 2009-2010 after rapid growth in the 2007-2009 period.

Table 2 – Policy and Management Consulting Total Expenditures in the Federal Government of Canada

Fiscal Year	Contract Amounts	As percentage of 2003/4 to 2013/14 0491 expense	Year over Year change
2005-2006	$247,259,885.22	8.09%	26.71%
2006-2007	$261,054,176.68	8.54%	5.58%
2007-2008	$347,094,921.94	11.36%	32.96%
2008-2009	$414,364,314.65	13.56%	19.38%
2009-2010	$448,848,332.83	14.69%	8.32%
2010-2011	$428,023,992.24	14.00%	-4.64%
2011-2012	$359,413,275.71	11.76%	-16.03%

Source: Proactive Disclosure (various websites).

Table 3. Management Consulting Expenses as a Percentage of Total Spending

Fiscal Year	*2006/2007*	*2007/2008*	*2008/2009*	*2009/2010*	*2010/2011*
Percentage	7.45%	6.79%	6.24%	5.77%	4.92%

Source: Public Accounts of Canada, various years

Most of this spending on policy and management consultants was concentrated in the top 16 administrative units, which account for over four fifths of yearly expenditures (see Table 4 below).

Table 4 - Top 16 Federal Administrative Units by Expenditures in Category 0491 (Management Consulting) – Million Dollars

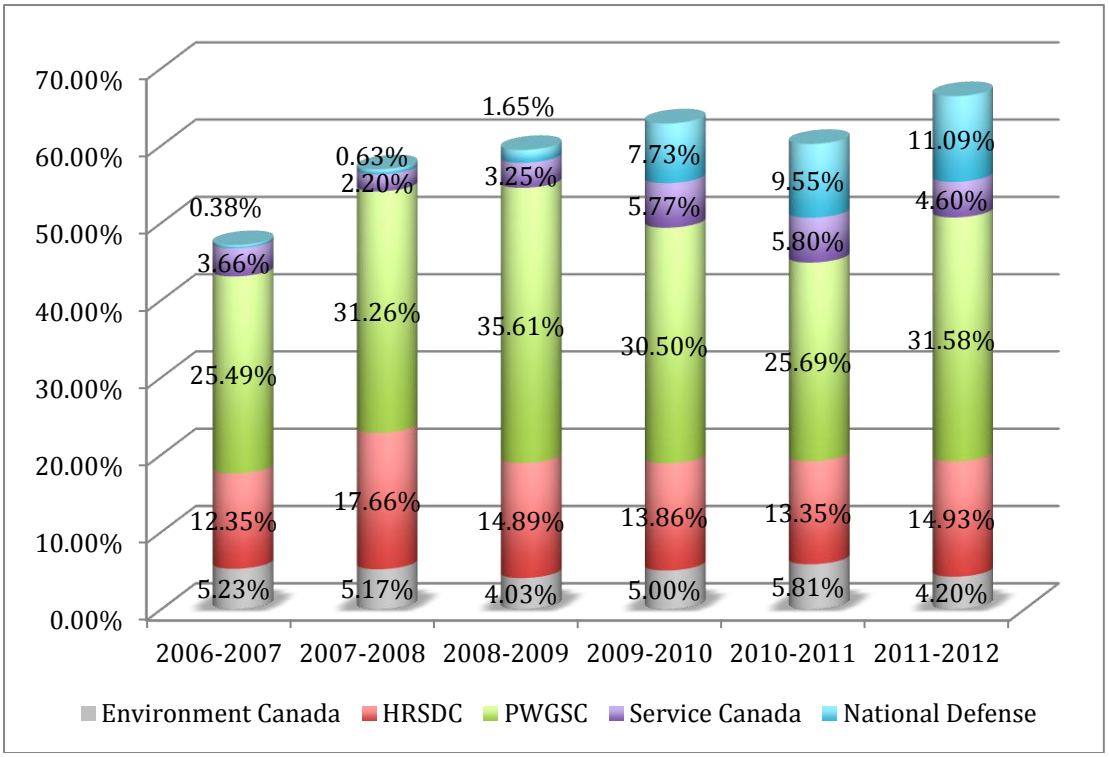
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	Total
Total for Canada	$261.05	$347.09	$414.36	$448.84	$428.02	$359.41	$2.258.79
Agri-Food	$12.39	$10.45	$6.73	$5.76	$5.54	$4.80	$45.69
CRA	$4.95	$3.03	$3.48	$3.60	$3.00	$1.80	$19.89
Environment Canada	$13.65	$17.93	$16.69	$22.46	$24.88	$15.93	$110.71
F&O	$8.10	$8.74	$10.12	$12.42	$13.65	$8.20	$61.24
DFAIT	$1.65	$3.95	$8.47	$12.74	$16.74	$9.88	$53.45
DND	$0.99	$2.18	$6.83	$34.68	$40.87	$39.85	$125.43
Health	$12.30	$16.36	$15.64	$15.31	$12.58	$16.88	$89.08

HRSDC	$32.23	$61.29	$61.70	$62.20	$57.14	$53.65	$328.22
INAC	$15.87	$11.38	$14.50	$32.18	$31.70	$13.56	$119.20
Industry Canada	$12.15	$11.96	$17.53	$11.68	$13.14	$11.49	$77.97
NRC	$4.74	$5.83	$5.97	$5.54	$3.84	$4.39	$30.33
Natural Resources	$5.55	$7.50	$5.82	$3.82	$7.48	$2.76	$32.94
PWGSC	$66.55	$108.50	$147.55	$136.89	$109.96	$113.48	$682.95
Service Canada	$9.54	$7.63	$13.47	$25.90	$24.83	$16.53	$97.90
Transport Canada	$12.84	$17.66	$26.52	$15.20	$15.62	$10.25	$98.15
TBS	$10.69	$6.38	$3.31	$4.01	$4.84	$5.95	$35.29
Subtotal for Group	$224.23	$300.81	$364.42	$404.54	$385.88	$328.62	$2,008.53

Source: Proactive Disclosure (various websites). Please note that PWGSC, HRSDC, Service Canada's and DND's totals are affected by very large contracts ($407M, $270M, $67M and $108M respectively).

As MacDonald suggested overall, a few historically dominant actors emerged with respect to the use of policy and management consulting services: Service Canada, Environment Canada, Human Resources and Development Canada, DND, and Public Works and Government Services Canada. Among them PWGSC accounted for about one third of contracts and HRSDC for approximately 15% of all contracts. DND represented about 12% (although spending here became significant only with the 2009/2010 fiscal year) and Service Canada and Environment Canada both accounted for only about 5% of expenditures (see Figure 3). These five Departments accounted for as much as 75% of expenditures on policy and management consultants in the entire Federal government over this period.

Figure 1 - Management Consulting Spending by Five Major Departmental Users– Percentage of Total



Source: Proactive Disclosure (various websites).

Demand has not been constant, however, or distributed evenly across agencies and various Departments have followed different patterns over time while the sums expended have also vared greatly from year to year (See Table 5 below). If we look at the development of Management Consulting as a percentage of total governmental expenses as reported in the Public Accounts of Canada, we find the overall pattern to be one of general decline in the use of Management Consulting since the 2006/2007 fiscal year. The rows highlighted in Table 5 represent the Departments that increased their spending on Management Consulting. These are only seven - Citizenship and Immigration, the Economic Development Agency for Quebec, Environment Canada, Foreign Affairs and International Trade, Parliament, the Privy Council, and Western Economic Diversification - out of 26 reporting units.

Table 5. Management Consulting as a Percentage of Departmental Spending

Department	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	Percentage Change
Agriculture And Agri-Food	**7.63%**	**6.82%**	**4.74%**	**4.48%**	**3.46%**	**-54.62%**
Atlantic Canada Opportunities Agency	**18.03%**	**15.73%**	**13.76%**	**14.16%**	**14.21%**	**-21.18%**
Canada Revenue Agency	**3.45%**	**1.39%**	**1.08%**	**1.24%**	**0.66%**	**-80.95%**
Canadian Heritage	**7.88%**	**10.63%**	**7.22%**	**5.26%**	**7.55%**	**-4.21%**
Citizenship And Immigration	**3.83%**	**3.53%**	**3.13%**	**2.39%**	**4.09%**	**6.80%**
Economic Development Agency Of Canada For The Regions Of Quebec	**5.32%**	**1.20%**	**1.20%**	**0.04%**	**9.18%**	**72.53%**
Environment	**11.21%**	**10.73%**	**11.30%**	**12.03%**	**12.52%**	**11.70%**
Finance	**5.54%**	**3.80%**	**4.65%**	**2.48%**	**3.19%**	**-42.45%**
Fisheries And Oceans	**7.35%**	**6.70%**	**6.64%**	**5.16%**	**5.24%**	**-28.69%**
Foreign Affairs And International Trade	**2.72%**	**6.23%**	**7.19%**	**7.49%**	**8.56%**	**214.24%**
Governor General	**1.71%**	**0.23%**	**1.12%**	**0.00%**	**0.00%**	**-100.00%**
Health	**7.12%**	**8.09%**	**7.58%**	**7.01%**	**6.25%**	**-12.21%**
Human Resources And Skills Development	**20.62%**	**20.94%**	**15.92%**	**11.33%**	**8.51%**	**-58.75%**
Indian Affairs And Northern Development	**16.95%**	**7.84%**	**11.42%**	**13.71%**	**9.75%**	**-42.51%**
Industry	**5.86%**	**8.62%**	**9.61%**	**8.43%**	**5.65%**	**-3.56%**
Justice	**3.95%**	**3.37%**	**3.27%**	**2.50%**	**2.03%**	**-48.54%**
National Defence	**1.88%**	**1.70%**	**1.24%**	**1.78%**	**1.68%**	**-10.37%**
Natural Resources	**6.05%**	**4.78%**	**4.35%**	**3.03%**	**2.51%**	**-58.56%**
Parliament	**4.87%**	**8.26%**	**5.15%**	**7.67%**	**8.36%**	**71.71%**
Privy Council	**11.66%**	**13.00%**	**11.41%**	**12.50%**	**12.03%**	**3.10%**
Public Safety And Emergency Preparedness	**1.11%**	**1.34%**	**1.71%**	**1.07%**	**0.89%**	**-19.74%**

Public Works And Government Services	**16.51%**	**14.08%**	**13.52%**	**11.96%**	**9.28%**	**-43.78%**
Transport	**16.75%**	**18.68%**	**17.46%**	**16.84%**	**11.52%**	**-31.22%**
Treasury Board	**16.20%**	**14.18%**	**6.23%**	**3.44%**	**5.23%**	**-67.71%**
Veterans Affairs	**0.13%**	**0.18%**	**0.13%**	**0.17%**	**0.10%**	**-21.66%**
Western Economic Diversification	**14.20%**	**24.91%**	**22.68%**	**22.44%**	**18.02%**	**26.89%**

Source: Public Accounts of Canada; various years

The Supply of Policy and Management Consultants in Canada

While, thanks to studies such as these, the general picture with respect to the *demand* for policy and management consulting in Canada is now becoming clearer, the situation with respect to the *supply* of consulting services remains opaque. This is the subject of this paper, which uses the same new datasets to generate information on the size, type and structure of this side of the market for government management consulting services.

The Overall Picture with Respect to Government Outsourcing

In his study, MacDonald looked at the general situation and detailed the major suppliers of outsourced contracts (see Table 6)

Table 6. Top 10 Outsourcing Companies ($ Millions)

Company Name	Total FY2005	IT	Management	Temporary Help	Departmental Focus (% of outsourcing)
CGI Information Systems	$549.5	**$531.3**	$16.5	$1.7	CRA (45.2%0
Calian Ltd.	$450.0	$11.5	**$427.8**	$10.7	DND (95.5%)
Resolve Corporation	$270.4	-	**$270.4**	-	HRSDC (100%)
IBM Canada	$230.7	**$202.3**	$27.9	$470.5	PWGSC (45%0
Altis Human Resources Inc.	$120.6	$2.0	$5.7	$112.8	Transport Canada (39.5%)
Brainhunter Ottawa	$116.8	**$96.2**	$13.5	$7.1	
Excel Human Resources	$111.4	$18.3	$7.2	$85.9	
Coradix Technology Consulting	$86.7	**$68.9**	$11.5	$6.4	

Oracle Corporation Canada	$85.0	**$84.7**	$200.2	-	PWGSC (88.9%)
Ajilon Canada	$83.0	**$66.4**	$12.0	$4.6	

Source: MacDonald 2011: 15

He found that this area in Canada was heavily oligopolized as the "top 10 outsourcing companies received almost 40 cents of every outsourced dollar from the federal government" (Macdonald 2011: 15). This status, he noted (2011:15) was institutionalized since the top companies are favored by the nature of "standing offers" for services which are too complex for smaller actors to tackle, and which focus on a specific core business in which these companies specialize and which is their main revenue source. The way in which this process has developed, he found, often leads individual companies to establish a strong relationship with specific department purchaser in an oligopsony-oligopolistic relationship.

While informative of the general picture with respect to contractors, this analysis begs the questions if this pattern is also characteristic of policy and management consultancies. It also does not answer other questions raised about the supply-side of the consulting equation such as such as those surrounding the number and type of companies offering services, their size and the size of contracts. For example, as Saint-Martin (2005; 2006) noted company size is relevant to the nature of the contract system as is the size of the contracts and their continuous nature. In particular the size of the contracting units and the continuous use of specific companies to fill particular areas of demand are also both issues about which the Public Service of Canada and similar agencies in other countries have been concerned.

The Proactive Disclosure Data

Available datasets for this analysis in Canada have been described above and are well outlined by MacDonald (2011: 22-23). They include three different and non-homologous sources: (1) the MERX database (a database for public tendering of government contracts) was used by the PSC in its study and is updated on a continuous basis but it only shows contracts over $25,000.00 and they are not disaggregated by type. MERX disaggregates by area (i.e, Construction, Goods and Services) and then in subcategories the closest to policy consulting being Professional, Administrative and Management Support Services. However, the latter include Operation of Government-Owned Facilities, R&D, Special Studies and Analysis - (Not R&D), Communications, Photographic, Mapping, Printing and Publication Services and so forth. Thus this database is not specific enough to allow for the enhanced level of detail required; (2) The Public Accounts of Canada, published every year by Public Works and Government Services Canada which was used by Perl and White and provides a complete image of governmental spending on outsourced contracts but offer the least detailed image of this spending because they provide data only on individual contracts exceeding $100,000.00 and in an aggregate form as "professional services"; and (3) the new Proactive Disclosure data set which MacDonald used and which details every contract above $10,000.00 along with individual amendments to contracts and which includes policy consultation in a smaller category of 'management consulting.'

In the Public Accounts and Proactive Disclosure datasets "policy" consultants are listed as part of the 0491 Management Consulting category.[4] This is not quite as disaggregated as we may wish the data to be as policy consultants only make up a part of

this category but is a more precise category than the one used in Public Accounts data, which only captures companies receiving contracts valued above $100,000.00 and generally deals with a much larger category of "professional services"..

We collected from the individual Department and Agency level Proactive Disclosure websites the amounts year over year for the period between 2003-2004 and 2013-2014. However, the last full set of contract data available at the time of writing was for 2011/2012. Data past this date contains only adjusted figures for multiple year contracts that extend into future years. Furthermore, a new definition of the category "Other Professional Services – Management Consulting (0491)" was introduced in 2006 meaning consistent data is only available since 2006/2007, hence truly comparable data span only the five-year period between 2006/2007 and 2011/2012. Various Departments and agencies provide data for previous years under the 0491 category but it is unclear (and unlikely) that these were reconciled with the new definition. A third caveat is that National Defense and the Canadian Forces does not use the 0491 code and the numbers presented here are a proxy. Finally, multi-year contracts were distributed annually according to the number of months that the contract covered, which may not correspond to the way in which the money was actually paid out.[5]

Utilizing the new proactive disclosure data helps address some of these questions. The data, for example, reveals that a high level of concentration exists in the top echelon of government contracting with a few companies dominating the supply of consulting to government. This happens either through multiple repeat contracts in their area of expertise or through the awarding of very large contracts. The data shows that some Departments have very large percentages of repeat contractors (DND, Service Canada,

PWGSC), and that among the top 21 Departments for expenditure (those that billed over $15M) the average percentage of repeat contracts was 66.51% - although it ranged between a low of 26.26% for HRSDC (the second largest Department by expenditure) and a high of 95.80% for DND.

1. The Concentration of Contracts

An initial inventory of the Proactive Disclosure data in the 0491 category yielded 10,570 companies that had been awarded at least one contract for a total of over $3 billion between 2003/2004 and 2013/2014.[6] The range of payments for these contracts went from a low of $6,300.00 to a high of $420,596,187.15. However only 31 companies billed a total above $10 million and only 65 billed above $5 million. Table 7 shows the companies billing over $10 million during this period while Table 8 presents aggregate data for the whole set.

Table 7. Select Companies by Amounts Billed (2003/2004 to 2013/2014)

Company	Company Amounts
Bell Canada	$420,596,187.15
Resolve Corporation	$270,659,325.04
Hewlett-Packard	$178,873,871.92
Calian Ltd.	$136,694,487.89
Quantum Management Services Ltd.	$70,763,263.22
IBM Business Consulting Services	$46,786,023.03
EDS Canada Inc.	$45,709,296.41
Corporate Research Group (CRG)	$37,627,572.17
Deloitte & Touche Consulting Group	$31,723,713.39
Interis Consulting Inc.	$27,600,246.01
Price Waterhouse Coopers	$24,983,887.21
KPMG Consulting	$24,951,184.30
CGI Information Systems & Management Consultants Inc.	$20,045,718.19
MapleSoft Consulting Inc.	$19,144,230.55
IT/NET Consultants Inc.	$18,591,563.62
Brainhunter (Ottawa) Inc.	$17,748,172.47
Coradix Technology Consulting Ltd.	$15,795,102.59

Veritaaq Technology House Inc.	$14,141,690.92
DAMA Consulting Services Ltd.	$13,942,338.17
Systematix IT Solutions Inc.	$13,057,437.43
Goss Gilroy Inc.	$12,505,817.84
QMR Staffing Solutions Inc.	$12,403,236.79
DARE Human Resources Corporation	$12,400,201.57
Valcom Consulting Group Inc.	$12,257,517.63
Ajilon Consulting	$11,374,111.11
Delta Partners (168446 Canada Inc.)	$11,368,789.58
Excel Human Resources Inc.	$11,081,068.24
R.A. Malatest and Associates Ltd	$11,074,695.50
Artemp Personnel Services Inc.	$10,417,619.62
ADGA Group Consultants Inc.	$10,332,360.59
Fujitsu Consulting	$10,031,667.44

Source: Proactive Disclosure (various websites).

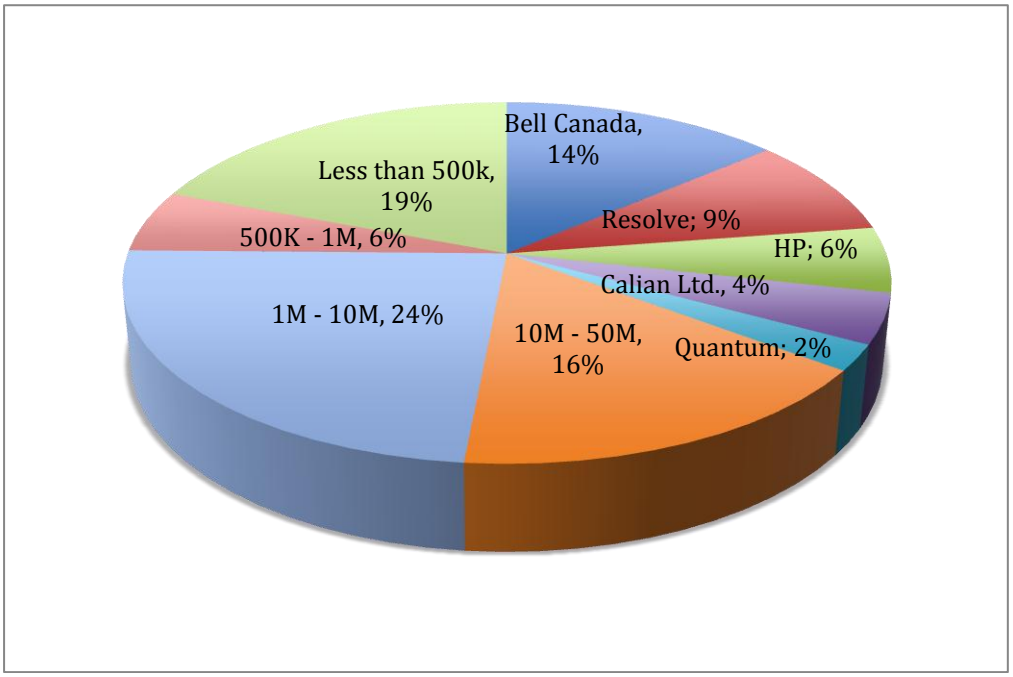
As this data shows, a handful of companies dominate the financial landscape of management consulting for the federal administration. In particular, the top four companies billed over $1B or about one third of the total. The 31 companies that billed over $10M accounted for over $1.5B, 51% of total billings but represent less than 0.3% of companies. The 293 companies that billed more than $1M over the whole period account for over $2.3B (75.28% of the total billed) but represent 2.77% of the companies that received a contract. Overall, less than 5% of all companies account for over 80% of the money paid in Management Consulting contracts.

Table 8 – Distribution of Contract Values by Dollar Amount and Percentage

Contracts' Values	Total money	Number of Companies	Percentage of Total ($ Value)	Percentage of Total (Companies)
Above 100M	$1,006,823,872.00	4	32.93%	0.038%
50M - 100M	$70,763,263.22	1	2.31%	0.009%
10M - 50M	$497,095,262.37	26	16.26%	0.246%
1M - 10M	$726,779,024.85	262	23.77%	2.479%
500K - 1M	$169,389,167.35	245	5.54%	2.318%
100k to 500k	$309,381,609.47	1,479	10.12%	13.992%
Less than 100k	$276,927,920.00	8,553	9.06%	80.918%
Total	$3,057,060,119.26	10,570	100.00%	100.000%

More detail on the size of some of the individual providers can be found in Figure 2 below.

Figure 2 – Distribution of contracts by value awarded to individual companies



Source: Proactive Disclosure (various websites).

2. The Size Distribution of Contracts

Many of the top 31 companies do not show very large numbers of contracts making up their above-average billings. The average values of their contracts are much higher than the norm as can be seen from Table 9 below. The highest number of contracts is shown by CRG with 537, but the average for the sample is 150, which drops to 137 if we eliminate CRG as an outlier. The top five companies have very small numbers of contracts but very high averages.

In terms of values the average value of a contract for the entire sample is over $10M. Even when we eliminate the top three companies, which are very evident outliers, the average value is above $447,000.00. This is a far cry from the average for the entire federal administration for which the mode is $25,000.00, the median is recorded at $24,274.00 and the average contract value is $55,309.86.

Table 9 – Contract Data – Top 31 Companies

Company	Area of Operations	Contracts	Average value of contract	Mode	Median
Bell Canada	Technology	37	$11,367,464.52	$297,075.60	$24,839.00
Resolve Corporation	Outsourced Business Resources	1	$270,659,325.04	#N/A	$270,659,325.04
Hewlett-Packard	Technology	4	$44,718,467.98	#N/A	$23,045.00
Calian Ltd.	Technology	71	$1,925,274.48	$114,188.00	$42,252.00
Quantum Management Services Ltd.	Human Resources	11	$6,433,023.93	#N/A	$225,780.00
IBM Business Consulting Services	Technology	235	$199,089.46	$83,781.00	$82,390.00
EDS Canada Inc.	Technology/ Business Process	89	$513,587.60	$85,941.45	$176,619.24
Corporate Research Group (CRG)	Project Management	537	$72,422.73	$99,309.00	$58,649.00
Deloitte & Touche Consulting Group	Accounting	306	$103,672.27	$24,910.00	$25,739.00
Interis Consulting Inc.	Project Management	331	$83,384.43	$99,828.43	$52,900.00
Price Waterhouse Coopers	Accounting	165	$151,417.50	$25,000.00	$25,000.00
KPMG Consulting	Accounting	128	$194,931.13	$24,990.00	$25,386.00
CGI Information Systems & Management Consultants Inc.	Technology	119	$168,451.41	$24,168.00	$34,400.00
MapleSoft Consulting Inc.	Technology	178	$107,551.86	$149,919.00	$76,151.25
IT/NET Consultants Inc.	Technology	208	$89,590.21	$99,750.00	$47,850.00
Brainhunter (Ottawa) Inc.	Human Resources	130	$136,524.40	$157,080.00	$76,195.88
Coradix Technology Consulting Ltd.	Technology	94	$168,033.01	$24,860.00	$51,597.75
Veritaaq Technology House Inc.	Technology	126	$112,235.64	$167,475.00	$80,812.50
DAMA Consulting Services Ltd.	Project Management	150	$92,948.92	$74,200.00	$63,582.50
Systematix IT Solutions Inc.	Technology	77	$169,577.11	$73,080.00	$83,846.00
Goss Gilroy Inc.	Project Management	186	$67,235.58	$24,824.00	$26,405.84
QMR Staffing	Human	128	$96,900.29	$23,850.00	$46,905.53

Solutions Inc.	Resources				
DARE Human Resources Corporation	Human Resources	271	$45,757.20	$48,150.00	$29,462.70
Valcom Consulting Group Inc.	Project Management	133	$92,161.79	$23,450.00	$23,718.00
Ajilon Consulting	Technology	157	$72,446.57	$74,844.00	$57,750.00
Delta Partners	Project Management	236	$48,172.84	$74,200.00	$39,482.50
Excel Human Resources Inc.	Human Resources	146	$75,897.73	$24,832.50	$31,061.25
R.A. Malatest and Ass. Ltd	Market Research, Program evaluation	40	$276,867.39	#N/A	$40,323.75
Artemp Personnel Services	Human Resources	263	$39,610.72	$21,000.00	$24,408.00
ADGA Group Consultant Inc.	Technology	37	$279,252.99	$24,937.50	$33,815.25
Fujitsu Consulting	Technology	62	$161,801.09	$41,312.25	$60,231.37

Source: Proactive Disclosure (various websites).

Some of the top-billing companies are also dominant in terms of the frequency of contracts awarded. Table 10 below shows the top ten companies for number of contracts won.

Table 10. Top Ten Companies by Number of Contracts Awarded

Corporate Research Group (CRG)	507	$37,627,572.17
Interis Consulting Inc.	331	$27,600,246.01
Deloitte & Touche Consulting Group	306	$31,723,713.39
Groupe Intersol Group Ltd.	303	$5,421,395.45
DARE Human Resources Corporation	271	$12,400,201.57
Artemp Personnel Services Inc.	263	$10,417,619.62
Delta Partners (168446 Canada Inc.)	236	$10,603,772.5
IBM Business Consulting Services	235	$46,786,023.03
Sussex Circle Inc.	228	$5,414,437.5
IT/NET Consultants Inc.	206	$18,591,563.62

Source: Proactive Disclosure (various websites).

It is also the case, though, that not all of the companies that have billed large amounts have done so by winning large numbers of contracts.

Table 11. Select Contract Data for Top 11 Companies by Billing

Company	Company Total Contract Values	Number of Contracts and rank
Bell Canada	$420,596,187.15	37 (111)
Resolve Corporation	$270,659,325.04	1 (N/A)
Hewlett-Packard	$178,873,871.92	4 (N/A)
Calian Ltd.	$136,694,487.89	71 (58)
Quantum Management Services Ltd.	$70,763,263.22	11 (387)
IBM Business Consulting Services	$46,786,023.03	235 (10)
EDS Canada Inc.	$45,709,296.41	89 (46)
Corporate Research Group (CRG)	$37,627,572.17	507 (1)
Deloitte & Touche	$31,723,713.39	306 (3)
Interis Consulting Inc.	$27,600,246.01	331 (2)
Price Waterhouse Coopers	$24,983,887.21	165 (16)

Source: Proactive Disclosure (various websites).

The number of contracts awarded to a company does have some connection to the amounts billed, but it is not a structurally necessary element for a company to access the top tier of government contracting. In fact, it seems that the type of work performed and the capacity to bid for Department-wide contracts (as is the case for example with IT and Technology contracts, but also for Human Resources to an extent) is a much better predictor in this area. As a result it is likely that policy consulting, by nature not something that would require this type of very large contracts, would either be a subset of the billing for larger consulting companies like Bronson Consulting or Deloitte and Touche, or that it would be composed of a variety of smaller contracts for realities like The Sussex Circle, which are more focused in the specific area.

Our dataset shows that the larger sized contracts are more important in this sample than in the general sample (see Table 12)

Table 12 – Contract Data – Top 31 Companies – Contract Distribution

Contract Size	Number of 0491 Contracts	Percentage of Total	All Contracts	Percentage of Total
Small	2,265	38.37%	29,617	66.65%
Medium	1,221	20.68%	6,494	14.61%
Large	1,452	24.60%	5,346	12.03%
Very Large	965	16.35%	2,979	6.70%
Total	5,903	100.00%	44,436	100.00%

Source: Proactive Disclosure (various websites) Calculations by the authors.

As it is evident from Table 12, there are significant differences in the distribution of contract types between the top 31 companies and the whole sample. When we look at the aggregate data for the whole federal government (Table 13 and 14) we find the following pattern.

Table 13. Aggregate Contract Data for all Federal Administrative Units

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	Total
Small	18	3,472	3,792	3,885	4,064	3,936	3,685	3,433	2,849	425	58	29,617
Medium	1	845	972	876	866	821	795	720	476	104	18	6,494
Large	4	655	751	748	756	770	653	543	356	96	14	5,346
Very Large	2	187	265	258	287	429	501	490	395	140	25	2,979
Total	25	5,159	5,780	5,767	5,973	5,956	5,634	5,186	4,076	765	115	44,436

Proactive Disclosure (various websites). Calculations by the authors.

Table 14. Aggregate Contract Data for all Federal Administrative Units - Percentages

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	Total
Small	72.00%	67.30%	65.61%	67.37%	68.04%	66.08%	65.41%	66.20%	69.90%	55.56%	50.43%	66.64%
Medium	4.00%	16.38%	16.82%	15.19%	14.50%	13.78%	14.11%	13.88%	11.68%	13.59%	15.65%	14.74%
Large	16.00%	12.70%	12.99%	12.97%	12.66%	12.93%	11.59%	10.47%	8.73%	12.55%	12.17%	12.24%
Very Large	8.00%	3.62%	4.58%	4.47%	4.80%	7.20%	8.89%	9.45%	9.69%	18.30%	21.74%	6.68%

Proactive Disclosure (various websites). Calculations by the authors.

Small contracts here account for 66.65% of the total, Medium ones for 14.61%, large contracts amount to 12.03% of the total and very large ones for 6.70%. It should be noted that even for the now defunct Government Consulting Services we see a pattern of increased relevance of larger contracts (see Table 15).

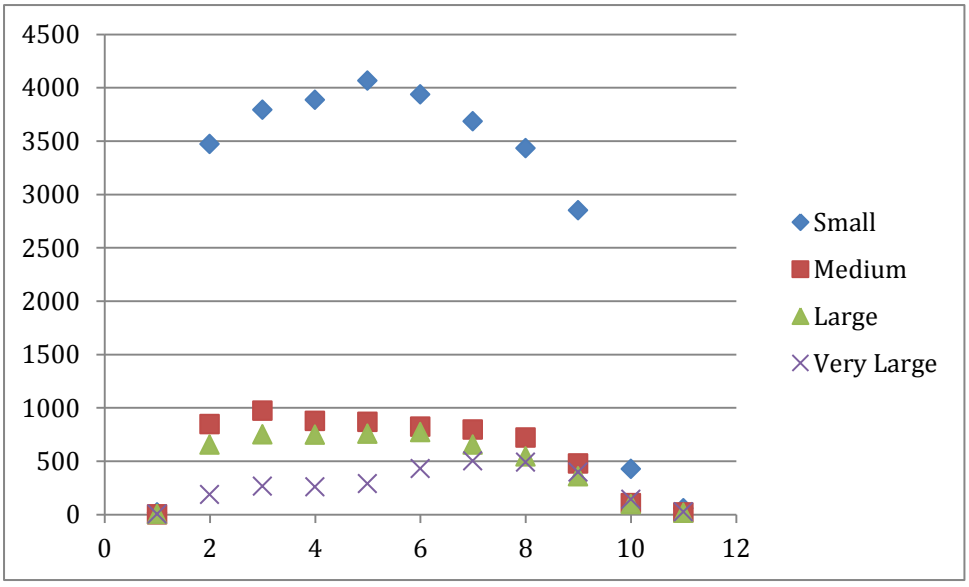
Table 15. Proportion of Projects for GCS by Size

	2005/06	2006/07	2007/08	2008/09	2009/10	All years
Percentage of projects < $24,999	29.10%	29.12%	20.75%	16.46%	20.27%	23.73%
Percentage of projects > $24,999	70.90%	70.88%	79.25%	83.54%	79.73%	76.27%
Total # of projects	244	182	212	158	148	944

Source: (Office of Audit and Evaluations 2012: 13).

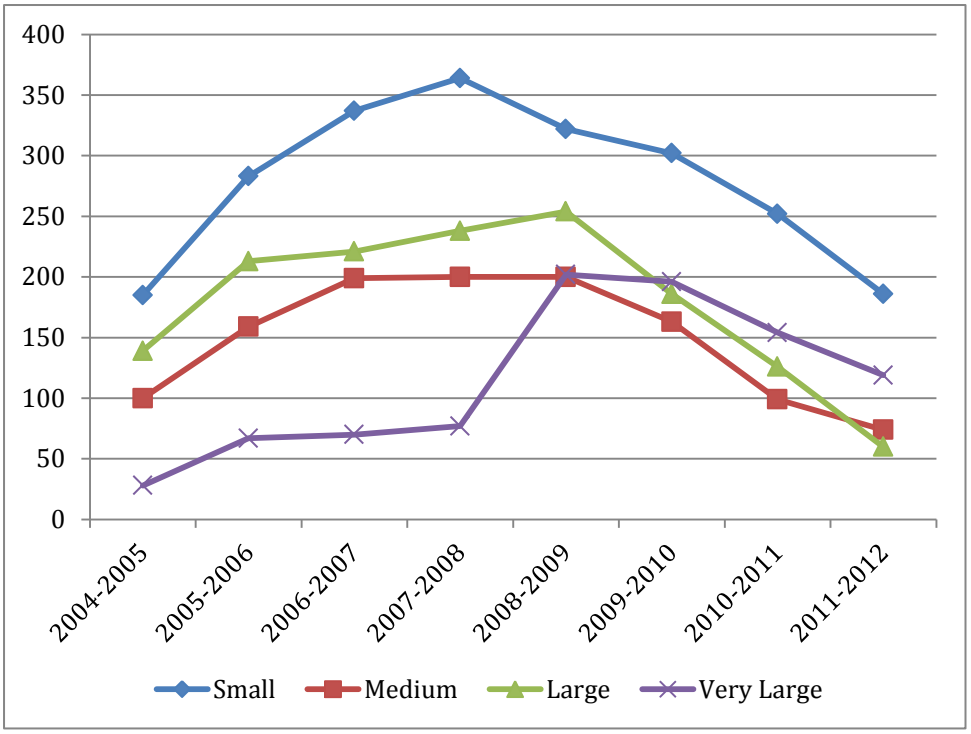
In general, small contracts follow a parabolic trend, peaking in 2007/2008 and then declining to the levels of 2004/2005 by 2010/2011 (see Figures 3 and 4).

Figure 3. Aggregate Contract Data for all Federal Administrative Units



Source: Proactive Disclosure (various websites).

Figure 4 – Contract Data – Top 31 Companies – Temporal Contract Distribution



Source: Proactive Disclosure (various websites).

For larger contracts the pattern is different. Medium-sized contracts peak in 2005/2006 and then keep declining. Large contracts reach a plateau in the same year and remain stable until 2008/2009, after which they decline. Very Large contracts increase until 2009/2010 and then begin a marginal decrease. In general, small contracts for companies that billed over $10M account for just a little over half of weight of the same contract for the general sample. The importance of large contracts expands progressively. Medium contracts are about one third more prevalent, large contracts are twice as common and very large ones are over twice as frequent. These are very significant differences.

3. Areas of Contract Activity

It is also worthwhile noting that there are differences within the various companies in terms of their areas of specialization. If we aggregate these companies by the activity that they predominantly undertake (See Table 16), we can observe some interesting variance from the general sample.

Table 16 Averages of Contract Distribution by Company's Predominant Activity

	Small	Medium	Large	Very Large
Technology	32.58%	15.84%	20.52%	29.25%
Project Management	37.73%	23.15%	28.68%	10.44%
Human Resources	40.25%	19.73%	19.26%	20.77%
Accounting	48.61%	16.43%	16.51%	18.44%
Other	20.76%	7.55%	10.38%	61.32%
Top 31 Companies	38.37%	20.68%	24.60%	16.35%
Entire Sample	66.65%	14.61%	12.03%	6.70%

The Other Category contains Resolve Corp. and R.A. Malatest only. The former provides outsourced business services, and the latter market research and project evaluation.

If we set aside the 'Other' category we can see how Technology oriented companies tend to have larger contracts awarded to them and receive 13% more Very Large contract than the average for the top 31 companies and over 22% than the general sample. The Project Management category (which is likely to contain policy consulting) is also the one with the lowest number of Very Large contracts.

4. Repeat Contracts

Table 18 shows how the administrative units with the highest value for contracts awarded have fared in terms of assigning multiple contracts to the same companies. This

allows us to make some general inferences on how 'open' the process is in the specific Departments and Agencies to the arrival of new contractors.

Table 18. Percentage of Repeat Contract amounts – All contracts (By Largest amounts) – All periods

Department	Contract Amounts	Multiple Contracts Value	Percentage of repeat contracts
PWGSC	$1,074,854,102.68	$800,288,555.35	74.46%
HRSDC	$395,823,017.06	$103,962,362.72	26.26%
National Defense and the Canadian Forces	$196,014,854.91	$187,782,006.72	95.80%
Environment Canada	$136,711,454.82	$99,919,457.76	73.09%
Health Canada	$123,641,689.25	$88,164,947.35	71.31%
INAC	$122,909,492.32	$101,856,513.42	82.87%
Transport Canada	$115,313,263.57	$69,419,334.37	60.20%
Industry Canada	$113,175,356.00	$88,833,090.00	78.49%
Service Canada	$104,412,733.96	$97,245,307.42	93.14%
Fisheries and Oceans Canada	$72,616,954.43	$60,366,731.36	83.13%
DFAIT	$57,871,001.14	$27,644,091.25	47.77%
Agriculture and Agri-Food Canada	$56,825,456.55	$38,361,015.27	67.51%
TBS	$44,039,542.52	$30,583,755.92	69.45%
National Research Council Canada	$37,734,691.15	$24,534,214.74	65.02%
Public Health Agency of Canada	$37,618,299.00	$21,681,332.11	57.64%
Natural Resources Canada	$37,185,083.56	$20,380,101.92	54.81%
Canada Revenue Agency	$34,668,059.07	$29,384,587.71	84.76%
Citizenship and Immigration Canada	$29,036,779.07	$19,119,658.57	65.85%
Public Safety Canada	$27,635,540.41	$20,128,934.03	72.84%
RCMP	$15,882,060.59	$6,128,614.76	38.59%
CIDA	$15,558,553.02	$11,782,613.95	75.73%
Elections Canada	$15,389,868.42	$9,271,007.03	60.24%
Total for Sample	$2,864,917,853.50	$1,956,838,233.73	68.30%
Total	$3,056,265,017.13	$2,069,161,886.95	67.70%

Source: Proactive Disclosure (various websites).

Here we present all units of the Federal government that billed more than $15M for 0491 services. Just over half of all contracts were awarded to companies that already worked for government. In terms of amounts, 68.30% of the money awarded over the period considered went to companies with two or more contracts. The Department of National Defense and Service Canada awarded most of their contracts to suppliers and

contractors with multiple contracts. This is similar to the US where Woon Kim and Brown (2012: 692-693) found that the US Department of Defence tended to have higher average contract lengths and contract values than other Departments. It should be noted, however, that large contracts also affect this data, for example within PWGSC Bell Canada received an amended contract for the total value of $407 million, which accounts for 52% of the total amounts granted as repeat contracts through the Department.

Conclusions

The current analysis of management consulting contracts in the Federal government based on the new Proactive Disclosure data made available following the Federal Accountability Act has highlighted some interesting additional dimensions to the general picture of increased contracting and temporary services uncovered by the Public Service Commission and the MacDonald CCPA studies of 2010 and 2011. They revealed a picture of a process dominated by several Departments on the demand side, and this dovetails closely with the findings presented here of a rather limited number of companies controlling the supply of consultants in this area. With less than 5% of companies controlling over 80% of management consulting funding the new Proactive Disclosure data presented here supports previous research on outsourcing and reinforces the concerns enunciated earlier concerning the potentially significant impacts outside consultants may have on the substance and content of many government policies (Saint Martin 2006; 1998a; 1998b; Speers 2007).

Several caveats apply to the most recent data, however, and to the lessons that may be drawn from it. Although the Proactive data is more specific than that used in earlier studies, problems still remain in assessing the basic nature of these contracting

relationships. Aside from the practical difficulties in calculating the amounts allocated per year to multi-year contracts versus budgetary allocations, and other such shortcomings, the most significant shortcoming of the current reporting model for studies of policy consultants is the still broad nature of the 0491 (Management Consulting) category.

Nevertheless this data is still revealing. It reinforces the finding, for example, that even when the larger contracts are removed and many smaller contracts, which in past years would normally have missed the Public Accounts <$100K cut off, are included only a few large agencies are still responsible for much of the demand for external consultants, a fact which bears much closer scrutiny in terms of its impacts and effects.

On the supply side the data also is quite revealing. It shows how this management consulting in general is a growing sector in Canada and one which is supplied almost exclusively from private sector sources. Overall the industry increased by 25% between 2001 and 2010 and increased its operating margin by 2.4% (Statistics Canada Various Years). While the percentage of business that these companies do with all levels of government declined from 17.1% of their total to 15.6% over the same period (Statistics Canada Various Years), and while the amounts spent by government on Management Consulting have declined from 7.5% of all Federal expenditures in 2006/2007 to 4.92% in 2010/2011 (Public Accounts of Canada), this does not mean that the actual amounts have dropped dramatically: rather the expenses per year have remained relatively stable (Public Accounts of Canada). Furthermore, the end of Government Consulting Services ensures that private companies will now have a virtual monopoly on government contracts in this area (Office of Audit and Evaluations 2012: i).

Moreover, in terms of concentration and potential impact, of the over 10,500 companies that successfully bid for contracts with the Federal government over the period considered in this study, only 31 billed over $10M. That is to say 0.293% of the companies awarded contracts obtained 51.5% of the overall amount let by the Federal government (See Table 8) while 95% of companies (94.91%) billed the government for less than $500,000.00. This vast group of over 10,000 companies and individuals was awarded only 19.18% of the money spent. Furthermore, we have found that in general the pattern has been towards fewer contracts in most size categories except for the very large category (over $100,000.00). This indicates that increased concentration and larger contract authorities are becoming more common in Federal contracting for the Management Consulting.

Finally, we have seen that some companies receive very large multi-year contracts, skewing at times entire departmental expense patterns. For example, Bell Canada received an amended contract for the total value of $407M from PWGSC, Resolve Corporation was awarded a $270M contract from HRSDC and Calian Ltd. was awarded one for a total of $108M from DND. Quantum Management Systems was awarded as $22M contract from Service Canada. This type of very large contract has been noted in the literature before (Macdonald 2011) and while may be very good reasons in terms of economies of scale and firm capacity to let such very large contracts, this reduces the pool of potential bidders and limits the capacity of government to exploit the benefits of competition (Woon Kim and Brown 2012).

In addition, these larger contracts are multi-year and/or department-wide ones that 'lock in' the relationship between purchaser and supplier. The nature of some of the

services/goods provided by these companies (for example technology) and the sensitive nature of some of the Departments for which companies work (National Defense) may explain why these choices are made. However, these data warrant a more in depth analysis of the activity of both suppliers and government purchasers and their effects, not just on finances, but on the content of decisions and activities influenced by this 'hidden public services' (Speers 2007).

Endnotes

[1] It should be noted that the definitions of Management Consulting for the Federal Government and the private sector are different. The former uses definitions created by the Treasury Board Secretariat, while the NAICS codes are generally used by the private sector. The Federal Government 0491 Management Consulting category is defined as "Consulting services for financial management, transportation, economic development, environmental planning, public consultation and other consulting services not specifically mentioned in other objects." The NAICS definition for this category is "This industry comprises establishments primarily engaged in providing advice and assistance to businesses and other organizations on management issues, such as strategic and organizational planning; financial planning and budgeting; marketing objectives and policies; human resource policies, practices, and planning; production scheduling; and control planning."

[3] It should be noted that Provincial data on spending are generally not disaggregated or detailed enough to allow us to make strong inferences. In most cases Provincial Public Accounts present lists of suppliers but do not specify in sufficient detail the type of service/goods provided.

[4] The individual contracts appear in individual web pages generally detailing the name of the company/vendor to whom it was awarded, the contract's reference number, the contract date and contract period and whether or not the contract was amended at any point in time. In general, however, these pages do not specify the type of work actually performed besides indicating whether or not it did fit within the 0491 category therefore providing very little indication of whether it was within the policy consultancy area.

[5] For example if a contract covered two fiscal years and was awarded for a sum of $100,000.00, each year was assigned $50,000.00 allowing us to have a more 'normalized' map of this spending.

[6] The Proactive Disclosure websites also featured about 80 companies that had been awarded standing offers for which no amount had been expended.

References:

Amey, Scott H. 2012. "Contract Design Failures Lead to Bad Deals." *Public Administration Review* 72(5): 697-698.

ANAO. 2001. *Developing Policy Advice, Auditor-General Audit Report No. 21 2001-2002 Performance Audit*. Canberra: Australian National Audit Office.

Bakvis, Herman. 1997. "Advising the Executive: Think Tanks, Consultants, Political Staff and Kitchen Cabinets." In *The Hollow Crown: Countervailing Trends in Core Executives*, eds. Patrick Weller, Herman Bakvis, and R A W Rhodes. New York: St. Martin's Press.

Bilodeau, Nancy, Claude Laurin, and Aidan Vining. 2007. "Choice of Organizational Form Makes a Real Difference: The Impact of Corporatization on Government Agencies in Canada." *Journal of Public Administration Research and Theory* 17(1): 119 -147.

Butcher, John, Benoit Freyens, and John Wanna. 2009. *Policy in Action: The Challenge of Service Delivery*. University of New South Wales Press.

Commission of Inquiry into the Sponsorship Program and Advertising Activities (Gomery Commission) 2005 Who's Responsible, Ottawa: Queen's Printer.

Commission of Inquiry into the Sponsorship Program and Advertising Activities (Gomery Commission) 2006. Restoring Accountability, Ottawa: Queen's Printer.

Deutsch, John. "Governments and Their Advisors." *Canadian Public Administration* 16, no. 1 (1973): 25–34.

DiFrancesco, Michael. 2000. "An Evaluation Crucible: Evaluating Policy Advice in Australian Central Agencies." *Australian Journal of Public Administration* 59(1): 36–48.

DiFrancesco, Michael, John Uhr, and Keith Mackay. 1996. "Framework for Policy Evaluation." In *Evaluating Policy Advice: Learning from Commonwealth Experience*, Canberra: Federalism Research Centre - ANU, pp. 41–57.

Freeman, Jody. 2001 "The Contracting State." *Florida State University Law Review* 28(155): 155–214.

Girth Amanda M., Amir, Hefets, Jocelyn M. Johnston, and Mildred E. Warner. Forthcoming 2012. "Outsourcing Public Service Delivery: Management Responses in Noncompetitive Markets." *Public Administration Review* [DOI: 10.1111/j.1540-6210.2012.02596.x].

House of Commons Committee of Public Accounts. 2010. *Central Government's Use of Consultants and Interims*. London: The Stationery Office Limited.

Howlett, Michael. 2009. "A Profile of B.C. Provincial Policy Analysts: Troubleshooters or Planners." *Canadian Political Science Review* 3(3): 55-68.

Howlett, Michael, and Migone, Andrea. 2012a. "The Permanence of Temporary Services: The Reliance of Canadian Federal Departments on Management & Policy Consultants" at the Canadian Political Science Association Annual Conference, Edmonton, June 2012.

Howlett, Michael, and Migone, Andrea. 2012b. "Conceptualizing Policy Consultants: "Consultocracy" or "Business as Usual" at the British Columbia Political Studies Association Annual Conference, Kelowna, May 2012.

Howlett, Michael, and Joshua Newman. 2010. "Policy analysis and policy work in federal systems: Policy advice and its contribution to evidence-based policy-making in multi-level governance systems." *Policy and Society* 29(1): 123-136.

Jaoquin, Ernita M. and Thomas J. Greitens. 2012. "Contract Management Capacity Breakdown? An Analysis of U.S. Local Government." *Public Administration Review* 72(5): .

Macdonald, David. 2011. *The Shadow Public Service. The Swelling Ranks of Federal Government Outsourced Workers*. Ottawa: Canadian Centre for Policy Alternatives.

Meredith, Harry, and Joe Martin. 1970. "Management Consultants in the Public Sector." *Canadian Public Administration/Administration Publique Du Canada* 13(4): 383–395.

Office of Audit and Evaluations 2012. FInal Report. Evaluation of Government Consulting Services. 2010-601. March 12, 2012. Ottawa: PWGSC.

Perl, Anthony, and Donald J. White. 2002. “The Changing Role of Consultants in Canadian Policy Analysis.” *Policy & Society* 21(1): 49-73.

Prince, Michael J. 2007. “Soft Craft, Hard Choices, Altered Context: Reflections on 25 Years of Policy Advice in Canada.” In *Policy analysis in Canada: The State of the Art*, eds. Laurent Dobuzinskis, Michael Howlett, and David Laycock. Toronto: University of Toronto Press, pp. 95-106.

Public Service Commission. 2010. *Use of Temporary Help Services in Public Service Organizations*. Ottawa: Public Service Commission.

Riddell, Norman. 2007. *Policy Research Capacity in the Federal Government*. Ottawa: Policy Research Initiative.

Saint-Martin, Denis. 2006. “Le Consulting et l’Etat: Une Analyse Comparée de l’Offre et de la Demande.” *Revue Française d'Administration Publique* 120(4): 743-756.

———. 1998a “The New Managerialism and the Policy Influence of Consultants in Government: An Historical-Institutionalist Analysis of Britain, Canada and France.” Governance 11(3): 319-356

———. 1998b. “Management Consultants, the State, and the Politics of Administrative Reform in Britain and Canada.” *Administration Society* 30(5): 533-568.

———. 2005. “The Politics of Management Consulting in Public Sector Reform.” In *Handbook of Public Management,* ed. Christopher Pollitt. Oxford: Oxford University Press, pp. 84-106.

Speers, Kimberly. 2007. “The Invisible Private Service: Consultants and Public Policy in Canada.” In *Policy analysis in Canada: The State of the Art*, eds. Laurent Dobuzinskis, Michael Howlett, and David Laycock. Toronto: University of Toronto Press, pp. 339-421.

Statistics Canada. Various Years. *Consulting Services*. Bulletin 63-259-X. Ottawa: Statistics Canada.

Tiernan, Anne. 2011. “Advising Australian Federal Governments: Assessing the Evolving Capacity and Role of the Australian Public Service.” *Australian Journal of Public Administration* 70(4): 335–346.

Vesely, Arnost 2012. "Policy Advisory System in the Czech Republic: From the State Monopoly to Hollowing Out? " IPSA COnference, Madrid, July 08-12, 2012.

Vincent-Jones, Peter. 2006. *The New Public Contracting: Regulation, Responsiveness, Relationality*. Oxford University Press, USA.

Weller, Patrick, and Bronwyn Stevens. 1998. “Evaluating Policy Advice: The Australian Experience.” *Public Administration* 76(3): 579–589.

Woon Kim, Yong and Trevor L. Brown. 2012. “The Importance of Contract Design.” *Public Administration Review* 72(5): 687-696.