Committee on Government Procurement

MINUTES OF THE MEETING HELD ON 19 JUNE 1995

Chairman: Mr. Harald Ernst (Switzerland)

1. The following agenda was adopted:

A. Statistical Review:
   - 1991 (GPR/70 and addenda)
   - 1992 (GPR/72 and addenda)
   - 1993 (GPR/75 and addenda)
   - 1994 (GPR/78 and addenda)

B. Aruba: Status of its Accession

C. Other Business

A. STATISTICAL REVIEW

(i) 1991 (GPR/70 and addenda)

2. The Chairman urged delegations who had not yet done so to submit their statistics for 1991
   as soon as possible.

(ii) 1992 (GPR/72 and addenda)

3. The Chairman urged delegations who had not yet done so to submit their statistics for 1992
   as soon as possible.

4. The Chairman recalled that, at the last meeting, the delegation of the European Communities
   had circulated an analysis it had made of the statistics submitted by a number of delegations
   over the period 1990-1992 (document GPR/W/143). The representative of Canada had said, at
   that time, that his delegation would study the figures and would come back to this matter at a
   later stage.

5. The representative of Canada appreciated the European Communities bringing this matter to
   the attention of this Committee as it not only provided an occasion to elaborate more fully on actual
   and potential procurement opportunities provided by Canada to the other members of the Committee,
   but also to emphasize the importance of exercising caution when interpreting limited or selective statistical
   information. He confirmed the accuracy of the reports submitted by Canada for the period identified
   in the paper of the European Communities. Government procurement was not static but was influenced
by many factors. His Government's current objective to reduce its budget deficit was such a factor and a significant factor at that, which had resulted in a decline in government expenditure. This, in turn, had had an impact on the procurement of major projects, both in the defence and the non-defence areas. His Government was determined to continue this policy and one of the results had been a decline in total covered procurement by approximately 20 per cent over the last three years. This trend was certainly reflected in the latest Canadian statistics, submitted to the Committee for 1993. The Canadian Government's expenditure represented a fraction of that of larger Parties such as the European Communities and the United States and, as was often the case of smaller economies, could be subject to significant variances depending upon just one or two relatively minor factors. For instance, in the early part of the 1990s, Canada's above-threshold procurement had increased significantly from previous years' expenditure. The increase was almost exclusively due to the award of just one single contract, in particular procurement of post office equipment, which was awarded to a supplier of the European Communities. This case underlined the importance of exercising caution when drawing inferences from limited or selected statistics. Procurements of some of the individual Member States of the European Communities would probably show instances of similar variances. Canada was a relatively small country, where it could be expected that the average size of contracts would be lower. Nevertheless, out of five of the last seven years, Canada's above-threshold procurement as a percentage of its total covered procurement was equal to or greater than that of the European Communities. Canada was proud of the fact that it had one of the most transparent and accessible government procurement markets in the world. He wished to point out that the question posed by the European Communities was a fair and reasonable enquiry concerning the variations in Canada's procurement trends. He wanted, however, to make clear to the Committee that factors behind such trends should be properly explained before any conclusions were drawn. He thanked the delegation of the European Communities for providing the opportunity to do so.

6. The representative of the European Communities said that it had never been the intention of his delegation to criticize the delegation of Canada. His delegation had simply been struck by the fact that there appeared to be a decrease in above-threshold spending of 3 per cent while at the same time there was an increase of below-threshold spending of 67 per cent. He accepted the arguments put forward by the Canadian representative. However, there were two comments which he wanted to make in general, which were not specifically addressed to Canada. Governments in general were trying to cut back their expenditure. As a result, governments were spending less per contract, which meant, in legal terms, that the procurement rules of the current and future Agreement on Government Procurement needed to be followed in fewer instances. As an economic consequence, certain procurements would escape the Agreement on Government Procurement in situations where governments were able to save money as a result of good procurement systems and practices. He would argue that good practices should continue to be followed in those cases. Of course, there was no legal obligation to be open in below-threshold procurements, but if good practices had proven successful, there was a good reason to continue with those practices. Secondly, if an increase of 67 per cent had occurred in below-threshold procurements, and only a decrease of 3 per cent in above-threshold procurements, it was difficult to imagine that this could only be the result of cheaper contracts. It still left the impression that something else was taking place, in particular that contracts had been split up, which was understandable. It might have been that the government, for good reasons, was not able to commit to large amounts of money, but was able to commit to smaller contracts. Yet, it would be regrettable, and again, he was making a general observation, not limited to Canada, if a policy existed of sub-dividing procurements, in order to come under the threshold. Precisely because there was a general need to review government expenditure carefully in order to ensure maximum savings in view of budgetary concerns occurring in many countries these days, it would be regrettable if that were to be done in a way in which the best means available to ensure efficient spending, namely the use of good procurement practices, were used to a lesser extent.

7. The Committee took note of the statements made.
8. The Chairman reminded delegations that statistics were due and that at present Hong Kong, Singapore, Sweden, Canada, Norway, Austria, Finland, Switzerland, Japan and the USA (in preliminary version) had submitted statistics for 1993. The representative of the European Communities hoped to be in a position to submit the EC statistics for 1993 as soon as possible.

9. The Chairman also reminded delegations that the 1994 statistics were due this year and that so far only Singapore and Hong Kong had submitted statistics for 1994.

B. ARUBA: STATUS OF ITS ACCESSION

10. The Chairman recalled that pursuant to the Committee decision on the accession of the Kingdom of the Netherlands with respect to Aruba as contained in document GPR/77, dated 24 August 1994, the Agreement on Government Procurement would enter into force for the Kingdom of the Netherlands with respect to Aruba on the thirtieth day following the date of its accession, i.e. the date on which the instrument of accession had been received by the Director-General.

11. The representative of the Kingdom of the Netherlands with respect to Aruba said that the parliamentary procedures were still under way and, although no difficulties were expected, she regretted that these procedures were taking more time than originally foreseen. She hoped to be in a position to deposit the instrument of accession of the Kingdom of the Netherlands with respect to Aruba shortly.

12. The Committee took note of the statement made.

C. OTHER BUSINESS

13. No matters were raised under this agenda item.

DATE OF THE NEXT MEETING

14. It was agreed that the Chairman would set the date of the next meeting in consultation with delegations at a later stage, probably late October or early November.