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Residential and Civil Construction Alliance of Ontario describes how Toronto could cut contract costs

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The City of Toronto can find savings through improved procurement practices, the Residential and Civil Construction Alliance of Ontario recently told the city's government management committee.

"If we can save five to 10 per cent in savings over time in the purchasing the cities does — and not just with construction but across the board — then hopefully we can save some of the services valuable to Torontonians," said Andy Manahan, executive director of the Residential and Civil Construction Alliance of Ontario (RCCAO).

Toronto recently received a core service review done by consultant KPMG that analyzed all city services, activities and service levels, identifying services that are not core or that are provided at higher than standard service levels.

Manahan told the city committee that Mayor Rob Ford's platform in the recent municipal election called for open, transparent and competitive processes for securing services and work. From the construction perspective, there a lot of opportunities to improve the city's tendering process, he said.

"Government sets the terms to minimize their own risk and transfer the risk to the contractors," explained Manahan. "A number of firms are unwilling to take on that risk and this results in fewer bidders and it is less competitive. Of those firms that do bid and with fewer of them, it increases the price."

The RCCAO commissioned reports in 2009 and 2010 that analyzed procurement issues faced by governments. Procurement barriers such as unrealistic time requirements, contract extension rights or qualification on volume work cause contractors to adjust their prices for any unattractive contract, the reports indicated. Also, stronger contractor candidates will also generally refuse to bid work with exceptional risk.

The standardization of contract documents would also be helpful, added Manahan.

"When you have so many departments and they change clauses it does make it more confusing for contractors. If they used standard contract like CCDC2, that would be helpful," he said. "If we become more efficient, it will allow the city to build the infrastructure that is needed."

The KPMG review did make a brief mention of alternative service delivery review, such as considering a range of options to outsource, in-source, or change a procurement approach for the service.

The RCCAO's 2009 commissioned report Towards A Fair and Balanced Approach: A Commentary on Government Procurement of Construction in the GTHA, authored by Stephen Bauld, president of Purchasing Consultants International Inc., indicated that approximately \$2.6 billion is spent annually on construction by federal, provincial and municipal governments, their respective boards and agencies, as well as by school boards, universities, community colleges and hospitals, the study states. These governments in the GTHA (Greater Toronto and Hamilton Area) may be paying an additional \$500 million a year more than is necessary for construction projects because of onerous contracts and excessive risk transfer to contractors.

