

DAILY COMMERCIAL NEWS

AND CONSTRUCTION RECORD

September 15, 2010

Report calls for culture change in procurement processes

VINCE VERSACE

staff writer

Improved government procurement processes require not only technical shifts in pricing practices but also a cultural shift in approach, according to a cost implications study commissioned by a construction group.

“There needs to be more dialogue with government and private sector suppliers so government can become more open to how a supplier addresses a government’s need. Also, suppliers need to become more familiar with the rules and regulations that necessarily control government expenditure,” said Kevin McGuinness, co-author of *The Price Implications of Government Contracting Practices in the GTHA* (Greater Toronto-Hamilton Area).

“We all want to government to operate as efficiently as it can. I do not know anymore who would argue against that.”

The report was commissioned by the Residential and Civil Construction Alliance of Ontario (RCCAO) and was authored by McGuinness and Stephen Bauld, both of Purchasing Consultants International Inc. These two procurement experts will be keynote speakers this Friday at a Canadian Urban Institute (CUI) session called *Buying Into A Sustainable Economic Recovery — Greening Infrastructure for the Long Term*. The session is a first in a series exploring balancing public-sector goals and private-sector needs moving forward.

Andy Manahan, executive director of RCCAO, said the report looks at how common government and public-sector procurement practices can lead to reduced competition and higher project prices.

RCCAO and the study’s authors emphasize the report is not an attack on government procurement and those involved in it.

They realize those involved in government procurement have specific mandates and instructions and are not construction pricing experts.

“It is not the fault of any one person,” said Manahan. “A more collaborative approach to building infrastructure is needed rather than just getting the lowest price or ‘as many things as we can from the project and push all the risks on the contractor.’ It may seem like you are protecting the taxpayer, but in the end a contractor will price accordingly.”

Many government procurement representatives are involved in multiple files which “greatly exceeds the number that a private sector buyer would be expected to administer,” the report concluded. In this procurement landscape, government construction costs and activity have increased in the GTHA while both government and the private sector stepped up their practices of “bullet proofing” tender and contract documentation.

The report provided an example of a Southern Ontario municipality that encountered a \$5.6-million cost overrun on a stadium project originally budgeted for \$39 million. The report noted that the municipality had placed unrealistic time frames on the project, failed to consult properly before taking the contract to market

and failed to conduct proper site testing.

Items such as a required stormwater pond not initially considered in the application, an underestimation in required square footage in the design and an aggressive construction schedule that did not factor in overtime to meet completion all drove up costs.

Procurement barriers such as unrealistic time requirements, contract extension rights or qualification on volume work will cause contractors to adjust their prices for any unattractive contract features, noted McGuinness.

Stronger contractor candidates will also generally refuse to bid work with exceptional risk. Public procurement has become “very litigious” resulting in a process “geared towards litigation which is very positional” but not conducive to increased competition and efficiency.

“If you make your contracts a little less hostile to the industry, you will get more people bidding and will save money,” said McGuinness.

Bauld and McGuinness will speak on Friday, Sept. 17 at The Gardiner Museum, 111 Queen Parks Crescent at the RCCAO-sponsored CUI event.