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Technical input lacking on tenders: OSWCA

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Improvements to competitive procurement processes for water and wastewater system work can begin with one simple change — more technical input, says the Ontario Sewer and Watermain Construction Association (OSWCA).

“Municipalities are moving away from their technical staff writing their tenders to procurement staff. We are not getting questions answered effectively and efficiently,” said Joe Accardi, executive director of OSWCA.

“There are a lot of discrepancies and variances and it affects tender prices.

“We need to get engineers back involved in this process. Maybe with the AFP (Alternative Financing and Procurement) model, city engineers will be more involved again in putting together contracts.”

A recent C.D. Howe Institute report, authored by Elizabeth Brubaker, stated that many municipally owned and operated sewer and water systems perform poorly and lack the financial resources and expertise needed to meet the challenges posed by aging infrastructure.

Among the report’s recommendations are reforms to the financing and operating of utilities to ensure their long-term sustainability.

“To get the most out of their partnerships with private-service providers, municipalities should use competitive procurement processes and vigorously enforce performance-based contracts,” wrote Brubaker.

“Public-private partnerships, if approached in that way, are a good solution to a growing and potentially very serious problem.”

Municipalities are struggling to find funding for infrastructure, said Accardi, but some changes that could help address cost and quality issues can be found in project design and material selection.

“One thing we are struggling with is allowing the bidder and their consulting firm to have some say in the selection of materials and design,” he explained. “Municipalities have strict standards and specifications, which make it tough for an engineer to introduce ingenuity in design.”

Brubaker noted that although investors interested in smaller AFP projects “appear to be emerging” the transaction costs under this project model “may be too great” for smaller projects.

To ensure a private operator’s “quest for efficiencies and cost savings” does not come at the expense of performance, municipalities “must insist” on binding contracts with clear performance standards and non-compliance penalties, the report noted.

Accardi said that in order for public-private partnerships to help with system investment and maintenance, Ontario’s current AFP model needs revamping. OSWCA has met with Infrastructure Ontario to discuss

applicable improvements.

“I think we are moving in the right direction when it comes to AFP. We are figuring out where we need to be to be more effective,” said Accardi.

“What is hard is determining what the return on investment of a sewer (or) watermain is (under AFP) compared to a facility and figuring out its maintenance.”

The use of government grants to increase system capacity and maintenance is not necessarily always the best thing, the report found.

The Residential and Civil Construction Alliance of Ontario (RCCAO) agreed with the report’s finding that government grants can sometime encourage too little investment in infrastructure or too much.

The possibility of “getting free money tempts municipalities to delay making necessary investments”, added Brubaker.

Full-cost pricing for sewer and water systems is an issue both the RCCAO and OSWCA have advocated for in the past to help with funding and maintenance challenges.

Andy Manahan, executive director of RCCAO, noted that in a jurisdiction where there is not a comprehensive planning regime for infrastructure replacement, full-cost pricing can help drive efficiency in that work.

The C.D. Howe report stated that full-cost pricing could help drive possible private sector involvement in sewer and water system operation and financing.

“Although recent changes to public-sector accounting standards — especially those requiring municipalities to inventory, value, and depreciate their capital assets — have helped pave the way for pricing reforms, most municipalities remain reluctant to charge full prices,” reported Brubaker.

“Provincial governments will likely have to legislate this reform and establish independent economic regulators to enforce it.”