

DAILY COMMERCIAL NEWS

AND CONSTRUCTION RECORD

May 10, 2010

Toronto Board of Trade report calls for procurement reform

This could save as much as 20 per cent annually, experts say

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Better procurement practices are just one tool Toronto can employ to help save \$2.2 billion over the next five years, a Toronto Board of Trade report says.

“Experts suggest as much as 20 per cent savings annually can be extracted (from procurement reform),” stated the board’s report. “Improving this process should produce a savings for the city of at least 10 per cent of procured purchases or at least \$100-million each year.”

The board’s recent report, *Bridging the Chasm: Fixing the City’s Finances*, found Toronto’s structural deficit will grow to \$1.19 billion by 2019.

The city’s one-time budgetary fixes, such emergency federal or provincial grants or use of reserve of funds, have helped bridge annual gaps but more needs to be done, the report noted.

“This is a call to arms by the Board of Trade,” said Andy Manahan, executive director of the Residential and Civil Construction Alliance (RCCAO).

“They are looking at trend lines and requiring that something more dramatic needs to be done.”

Toronto purchases \$1 billion through its current procurement methods and reform in this area would help, the board stated. The report cited an RCCAO study authored by Stephen Bauld, one of Canada’s leading experts in the public procurement field, to support its assertion that “Toronto and other municipalities overpay for contracted goods and services because of their procurement process.”

The RCCAO study concluded that province-wide governments could save \$1 billion on better structured construction contracts.

“There are so many ways to look at better procurement from wastewater and water issues to transit,” added Manahan. “Dealing with a structural deficit entails some innovative solutions.”

The board recommended that labour model reform, eliminating debt to enable infrastructure investment and multi-year operating budgets, can be the three key drivers to help Toronto achieve \$2.2 billion in savings by 2015.

Under labour model reform the city should allow for more competitive bidding for the delivery of its services, the board recommended. In Indianapolis, Ind., such a change resulted in a savings of \$230 million over five years.

“Service delivery, particularly for services like waste collection, road repairs and parks and recreation, should be opened to all qualified bidders, including bids from unions either in Toronto or elsewhere,” the board

concluded. "It is critical that requests for bids are structured in a way that does not favour any particular class of bidders."

Toronto currently spends approximately \$450 million each year to service its debt, with an expected average annual increase of 14.6 per cent between 2002 and 2008.

"This expense is growing faster than any other incurred by the city and because of the city's current debt level, there is no ability to invest in the infrastructure expansion needed in a great city," stated the board.

Cashing in a \$490 million promissory note from Toronto Hydro could save Toronto over \$55 million net in debt service charges over the next three years, the report noted. "Extracting value" from city assets such as Enwave, Toronto Parking Authority, Toronto Hydro and Metro Hall "could help us build Toronto for future generations."