

The Smell Test: Rossi's procurement savings

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Claim: Rocco Rossi said he would find \$100 million in savings from the city's procurement process.

Background: As part of his plan to pare \$460 million from the city's annual budget by 2015, Rossi would find 10 per cent efficiencies in the city's procurement expenditures.

The city spends more than \$1 billion on contracted goods and services each year. According to the Toronto Board of Trade's 2010 recommendations, from which Rossi adopted much of his plan, the government overpays for contracts.

The Residential and Civil Construction Alliance of Ontario said the problem is the city's contracts, which "have become so onerous — transferring virtually all of the risk to construction contractors."

As a result, the Alliance said, fewer contractors bid and those that do raise their prices to protect against the "extra risk," meaning the city pays more than it should.

Smell test: Rossi's estimated savings are in line with all the literature about remodeling the city's procurement process to be less burdensome on contractors.

These suggest that more contractor-friendly agreements would draw more bidders, offering better prices. Some experts predict savings as high as 20 per cent — or \$200 million a year.

But the evidence of unwillingness to bid on city contracts is anecdotal; there is little factual data on the extent of the problem or what it costs.

Among the "onerous" aspects of the contracts is the practice of holding back a percentage of the payment until some time after the contract is complete, to protect the city in case something goes awry (for example, work falls behind schedule or proves faulty).

Ditching this clause — and others, such as broad rights to indemnification — could open the city up to more costs down the road.

Verdict:

