

# DAILY COMMERCIAL NEWS

## AND CONSTRUCTION RECORD

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Local governments may be overpaying for construction procurement, study says

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Realistic and better structured construction contract procurement practices could save governments province-wide \$1 billion, an industry study concludes.

“There is a lot of infrastructure money being spent and as an industry we want to make sure that money goes as far as possible,” explains Andy Manahan, executive director of the Residential and Civil Construction Alliance of Ontario (RCCAO).

'Towards A Fair and Balanced Approach: A Commentary on Government Procurement of Construction in the GTHA,' a study commissioned by the RCCAO, was authored by Stephen Bauld, president of Purchasing Consultants International Inc., one of Canada's leading experts in the public procurement field.

“While the study conservatively estimates that taxpayers are paying at least five per cent more than they should because of these practices, that's very much on the low side,” says Bauld in a statement. “At the upper end, it could be as much as 20 per cent.”

In the Greater Toronto-Hamilton Area, 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.

All GTHA governments alone may be paying an additional \$500 million a year more than is necessary for construction projects.

“There is a lot of reference in the report to the transferring of risk and that has a lot of ramifications,” says Manahan. “We want to look at whole bunch of different areas where government is working with the best intentions with taxpayer dollars but is inadvertently resulting in higher prices for construction products.”

Government purchasing policies and contract documents are at the root of the problem, Bauld confirms. They have become “so onerous” in the transfer of the risk to construction contractors that many qualified companies simply do not bid.

This purchasing and contract landscape creates a less competitive marketplace for public sector work.

Savings that could be found in this area could be used to fund additional needed infrastructure work or reduce looming deficits, notes the study.