

Is Alberta's Public Procurement Broken?



Section C

May/June 2018

During May 2018, we surveyed the followers of the Alberta Council of Technologies Society, attracting 81 contractors and 11 administrators for assessing the practice and objectives of public procurement practices in Alberta. The results of the survey are being released in four sections. Section A. provided a profile of the respondents summarized as follows:

Summary. The contractor profile helps explain why 40% of the survey contractors indicated a decreasing interest in bidding on public contracts particularly among the Calgary Region's small businesses contractors lacking procurement resources in construction, infotech and management services. The moderate and declining interest among larger contractors may be associated with uncertainties surrounding current inter-provincial and international trade negotiations. Comments provide some insight into the procurement processes of concern including reference to perceived bias and waste.

C. Assessing Alberta's Public Procurement Objectives

For assessing the objectives of public procurement in Alberta, we asked respondent to rate their level of agreement with 9 objectives. Note, the objectives are each stated in positive terms. For discussion, each objective is analyzed and presented independently.

- Rating each of the 9 positive objectives on a scale from 5 – Agree to 3 – Neither to 1 Disagree
- Identifying the alignment and the gaps between the views of Contractors and Administrators
- Comparing how Contractor's views differ depending on their various features as identified in Section A.

1. First, how do administrators and contractors view the objectives of public procurement?

Public Procurement Objectives – Ratings on a scale from 5 – Agree to 3 – Neither, to 1 – Disagree. Listed in order of the declining gap – the alignment between the two groups.	Administrators N=11	Contractors N=81	Gap
Disaster Recovery. Disaster recovery planning should give priority to pre-qualifying of local suppliers.	3.09	3.16	-0.07
Economic development. Setting economic expectations (e.g.: jobs, location, salary levels) within the terms of procurement is appropriate for economic development.	3.00	2.89	0.11
Social development. Setting social expectations (e.g.: gender, race, education, religion) within the terms of procurement is appropriate for social development.	2.82	2.66	0.16
Transparency. Government purchasing is transparent, fair and free from conflict of interest.	2.64	2.20	0.44
Value for Money. Public procurement practices are effective for obtaining best economic value in the purchase of supplies and services.	2.45	1.95	0.51
OVERALL. Alberta government procurement practices are free from waste, fraud, and corruption.	2.73	2.20	0.53
Vision & Leadership. Procurement practices are aligned with the vision and values of the government.	3.18	2.43	0.75
Effectiveness. Government procurement and project management are well aligned. That is, deliverables are on-time, on-budget, and as specified.	2.91	2.10	0.81
Innovation. Rewarding creative options (e.g.: technology, partnering, project planning, compensation) within the terms of procurement is appropriate for stirring innovation.	4.09	2.56	1.53
Weighted Average	2.99	2.46	0.53

Observations

- The number of Administrators responding is low (11); their responses are quite consistent
- Administrators are somewhat more (0.53) positive (2.99) with all the stated objectives than Contractors (2.46)
- The objectives with the lowest ratings align for both groups (blue): Value for Money, Transparency, and OVERALL plus Effectiveness for Contractors.
- The highest ratings but weak for both groups - at about 3.00, are Disaster Recovery, Social and Economic Development.
- The greatest gaps between the two groups are for the Innovation (1.53), Effectiveness (0.81), and Vision and Leadership (0.75)
- Both groups align – gap <0.50:
 - Agreeing >3.00 in the stated positive objective for Disaster Recovery
 - Disagreeing <3.00 (red) with the stated positive objectives for: Transparency (0.44) and possibly Social Development (0.16) and Economic Development (0.11)

- Both groups disagree, Contractors disagree even more – gap >0.50 than Administrators in the stated positive objectives for: Value for Money (0.51), OVERALL (0.53), Effectiveness (0.81), and Innovation (1.53)

Summary

Administrators and Contractors both disagree with most of the stated positive objectives of public procurement. The only exception is Disaster Recovery, for which both agree and rated highest. Each objective warrants some discussion particularly Value for Money that is rated lowest by both groups. Administrators rate more highly than Contractors the government’s objectives of Innovation, Vision and Leadership, and Effectiveness. Of concern is the generally low ratings for both Administrators and Contractors for the prime objectives of public procurement: Value for Money, Transparency, and OVERALL.

2. Next, how do Contractors differ in their views of public procurement objectives?

- a) **LOCATION. Contractors regardless of Region are aligned in their agreement with the Disaster Recovery objective and disagreement with most of the other Public Procurement objectives**

Public Procurement Objectives – Ratings on a scale from 5 – Agree to 3 – Neither, to 1 – Disagree. Listed in descending order of the objectives weighted average rating.	Edmonton Region N=53	Calgary Region N=16	Other N=5	Weighted Average
1. Disaster Recovery. Disaster recovery planning should give priority to pre-qualifying of local suppliers.	3.16	3.18	3.20	3.16
2. Economic development. Setting economic expectations (e.g.: jobs, location, salary levels) within the terms of procurement is appropriate for economic development.	3.02	2.89	1.40	2.89
3. Social development. Setting social expectations (e.g.: gender, race, education, religion) within the terms of procurement is appropriate for social development.	2.68	2.44	3.20	2.66
4. Innovation. Rewarding creative options (e.g.: technology, partnering, project planning, compensation) within the terms of procurement is appropriate for stirring innovation.	2.67	2.50	1.60	2.56
5. Vision & Leadership. Procurement practices are aligned with the vision and values of the government.	2.47	2.29	2.40	2.41
6. Transparency. Government purchasing is transparent, fair and free from conflict of interest.	2.33	1.89	1.80	2.20
7. OVERALL. Alberta government procurement practices are free from waste, fraud, and corruption.	2.19	2.28	2.00	2.20

8. Effectiveness. Government procurement and project management are well aligned. That is, deliverables are on-time, on-budget, and as specified.	2.00	2.22	2.80	2.10
9. Value for Money. Public procurement practices are effective for obtaining best economic value in the purchase of supplies and services.	1.96	1.94	1.80	1.95
Weighted Average	2.50	2.40	2.24	2.46

Observations

- With the exception of Disaster Recovery, most objectives were at or below 3.00 for all three groups
- The ratings for the public procurement objectives were comparable for the Edmonton and Calgary Region with the possible exception of Transparency, where Calgary disagreed more – gap 0.44.
- Three ratings of Other were exceptional:
 - Other disagreed (1.40) with Economic Development while the Edmonton Region was neutral (3.02) and Calgary Region (2.89)
 - Other disagreed (1.60) with Innovation more than both the Edmonton (2.67) and Calgary (2.50) Regions
 - Other agreed (3.20) with the Social Development objective while Calgary (2.44) and Edmonton (2.68) disagreed

b) INDUSTRY. Contractors regardless of what industry they are familiar align in their agreement with support for the Disaster Recovery objective – with the exception of Finance and Construction, and disagreement with most of the other stated public procurement objectives particularly Value for Money

INDUSTRY	Public Procurement Objectives										Weighted Average
	Listed as per the previous table above										
	Rating on a scale of 5 – Agree to 3 – Neither, to 1 - Disagree										
	N	1	2	3	4	5	6	7	8	9	
Agriculture & Food Processing	5	3.60	3.40	3.20	2.60	3.80	2.40	2.20	2.40	2.40	2.89
Communications & Marketing	9	2.78	3.22	3.00	2.33	2.75	1.44	1.89	1.78	2.11	2.36
Construction & Real Estate	17	2.71	2.47	2.12	2.41	2.00	2.12	1.88	2.00	1.47	2.13
Education & Research	17	3.18	2.82	2.82	2.18	2.47	2.53	2.29	2.24	1.94	2.50
Energy & Distribution	11	3.80	3.55	2.91	2.67	2.45	2.55	2.56	2.55	2.00	2.73
Engineering & Design	9	3.22	2.78	2.78	2.67	2.33	2.33	2.56	2.22	1.67	2.51
Environment & CleanTech	15	3.43	2.73	2.80	2.00	2.87	2.80	2.87	2.73	2.33	2.72
Finance & Investment	6	2.33	2.86	2.71	2.57	3.00	2.29	2.43	2.29	2.00	2.51

Forestry & Wood Products*	1										
Health & BioTech	7	3.13	3.88	2.38	1.88	2.75	2.25	1.88	1.75	2.00	2.43
Human Resources & Development	6	3.17	3.50	3.00	3.33	3.17	3.33	2.83	2.17	2.00	2.94
Infotech & Analytics	29	2.93	2.48	2.52	2.28	2.10	2.14	2.00	1.86	1.79	2.23
Legal & Security*	2										
Management & Strategy	27	3.11	2.81	2.52	2.56	2.37	2.44	2.41	2.33	2.22	2.53
Manufacturing & Export	11	3.55	3.18	2.55	2.27	1.82	2.00	1.91	1.73	1.45	2.27
Tourism & Entertainment	6	3.00	3.17	3.17	3.00	3.00	2.50	2.33	2.17	2.17	2.72
Transportation & Logistics	6	3.83	2.00	2.83	1.83	2.50	2.17	2.50	2.33	2.00	2.44
Volunteers & NGOs	6	3.00	3.17	2.83	2.17	3.33	2.67	2.50	2.50	2.00	2.69
Weighted Average		3.13	2.89	2.67	2.35	2.49	2.34	2.29	2.17	1.95	2.47

*Sample size too small to consider including in analysis.

Observations

- Industries show most support for 1. Disaster Recovery (3.13) though weak and mixed for 2. Economic Development (2.89)
- Industries least support >2.50: 9. Value for Money (1.95) and 8. Effectiveness (2.17) and the other prime objectives: 7. OVERALL (2.29) and 6. Transparency (2.34)
- Industry support is weak as well for 4. Innovation (2.35) and 5. Vision & Leadership (2.49)
- Most supportive of the Industries - though still weak <3.00, are: Human Resources (2.94) and Agriculture (2.89)
- Least supportive of the Industries >2.50 are in Construction (2.13) and Infotech (2.23), that disagree with all the objectives as does Finance (2.53).
- Also weak > 2.50, is support by Communications (2.36), Manufacturing (2.37) and Transportation (2.44)

c) **LEVEL OF GOVERNMENT.** Contractors most familiar with Levels of Government and Public Agencies align in their weak support for the Disaster Recovery objective and disagreement with most of the other stated public procurement objectives particularly Value for Money

	Contractors rating familiarity >2				
Public Procurement Objectives – Ratings on a scale from 5 – High to 3 – Moderate, to 1 – Low. Listed in descending order of the objectives weighted average rating.	Municipal N=59	Provincial N=71	Federal N=49	Public Agency N=44	Weighted Average

1. Disaster Recovery. Disaster recovery planning should give priority to pre-qualifying of local suppliers.	3.14	3.37	3.10	3.23	3.22
2. Economic development. Setting economic expectations (e.g.: jobs, location, salary levels) within the terms of procurement is appropriate for economic development.	2.73	2.96	2.69	2.98	2.84
3. Social development. Setting social expectations (e.g.: gender, race, education, religion) within the terms of procurement is appropriate for social development.	2.76	2.85	2.57	2.73	2.74
4. Innovation. Rewarding creative options (e.g.: technology, partnering, project planning, compensation) within the terms of procurement is appropriate for stirring innovation.	2.37	2.62	2.35	2.48	2.46
5. Vision & Leadership. Procurement practices are aligned with the vision and values of the government.	2.26	2.51	2.27	2.53	2.39
6. Transparency. Government purchasing is transparent, fair and free from conflict of interest.	2.22	2.37	2.29	2.18	2.27
7. OVERALL. Alberta government procurement practices are free from waste, fraud, and corruption.	2.19	2.37	2.18	2.36	2.28
8. Effectiveness. Government procurement and project management are well aligned. That is, deliverables are on-time, on-budget, and as specified.	2.15	2.22	2.04	2.20	2.16
9. Value for Money. Public procurement practices are effective for obtaining best economic value in the purchase of supplies and services.	1.86	2.06	1.92	1.95	1.95
Weighted Average	2.41	2.45	2.38	2.52	2.48

Observations

- Contractors do not support the procurement objectives regardless of what level of government they are most familiar, with the exception of 1. Disaster Recovery (3.22)
- Least support >2.50 is for 9. Value for Money (1.95) and 8. Effectiveness (2.16) and the other prime objectives: Transparency (2.27) and 7. OVERALL (2.28)
- Support is weak as well for 5. Vision & Leadership (2.39) and 4. Innovation (2.46)
- Most supportive - though still weak <3.00, is: Public Agency (2.52)
- Least supportive >2.50 are Contractors most familiar with Federal (2.38) and Municipal Government (2.41) procurement

d) CONTRACTOR SUPPORT

In the following analysis we assembled the profile of the Contractors that agree and disagree most with the two prime public procurement objectives: VALUE FOR MONEY and TRANSPARENCY. The difference between the two is considered “uncertainty” – neither agree or disagree.

CONTRACTOR PROFILE – AGREE (5 and 4) AND DISAGREE (1 and 2)	Transparency. Government purchasing is transparent, fair and free from conflict of interest.		Value for Money. Public procurement practices are effective for obtaining best economic value in the purchase of supplies and services.	
	AGREE	DISAGREE	AGREE	DISAGREE
OVERALL – weighted average rating of all Contractors	21%	63%	8%	68%
About 2/3rds of the Contractors disagree with both the Transparency and Value for Money objectives. Fewer Contractors agree with the Value for Money objective than for the Transparency objective.				
LOCATION - weighted average rating of all Contractors				
% Edmonton Region N=57	23%	58%	8%	65%
% Calgary Region N=18	17%	72%	11%	72%
% Other N= 5	20%	80%	0%	80%
Contractors in each of the Regions align with less agreement with the stated Value for Money objective than Transparency. Disagreement with the Transparency objective is least for the Edmonton Region.				
RELIANCE – on winning bids. Contractors weighted average rating				
High – 40%	22%	48%	9%	73%
Moderate – 28%	30%	63%	7%	56%
Low – 32%	13%	73%	10%	74%
Contractors with the highest and the lowest Reliance on winning bids have the greatest disagreement with the stated Value for Money objective. A large 37% of those with a Moderate Reliance Neither Agree or Disagree with the Value for Money objective and 30% with a High Reliance neither agree or Disagree with the Transparency objective..				
INDUSTRY – familiarity				
The top four industries with the highest ratings by contractors familiar with public procurement	Human Resources – 63%	Communications – 89%	Tourism – 33%	Construction – 82%
	Health – 38%	Transportation – 67%	Volunteers – 33%	Manufacturing – 82%
	Management – 37%	Infotech – 66%	Human Resources – 25%	Engineering – 78%
	Environment – 33%	Health – 63%	Agriculture – 20%	Infotech – 75%

Contractors familiar with procurement in all industries disagree with the Value for Money objective - particularly Construction and Manufacturing, and somewhat less for Transparency with Communications strongly disagreeing. Other than Human Resources for Transparency with 63% agreeing, no industry agreed more than 33% with the Value for Money or 38% with the Transparency objectives.

GOVERNMENT – familiarity				
% Municipal	22%	61%	5%	72%
% Provincial	23%	62%	8%	69%
% Federal	24%	57%	8%	69%
% Public Agency	20%	61%	2%	66%

Regardless of familiarity with the levels of government, most disagree and few agree with the Transparency and Value for Money objectives. The proportion of Contractors agreeing with the Value for Money objective is considerably lower than the – also low, proportion agreeing with the Transparency objective.

TRADE Agreements – familiarity				
NAFTA – 73% of Contractors	22%	59%	9%	66%
AIT – 48% of Contractors	31%	49%	8%	72%
CFTA -44% of Contractors	22%	61%	6%	75%
CETA – 26% of Contractors	19%	67%	10%	67%
WTO-GDP – 21% of Contractors	25%	56%	13%	63%

Regardless of familiarity with various trade agreements, most disagree and few agree with the Transparency and Value for Money objectives.

STAFF – procurement				
No	23%	67%	10%	66%
Sometimes – as needed	23%	53%	7%	62%
Yes – including dedicated	10%	47%	3%	59%

Regardless of whether staff are available for bidding, most disagree and few agree with the Transparency and Value for Money objectives. Contractors with procurement staff - likely the larger organizations, agree less than those without procurement staff with the objectives of both Transparency and Value for Money. Uncertainty – the proportion neither agreeing or disagreeing, is generally higher for the larger organizations.

BIDDING – increasing?				
High – 28%	13%	74%	10%	74%
Moderate – 34%	30%	63%	4%	58%
Low including no – 39%	23%	45%	9%	73%

Regardless of expectations on increasing/decreasing bidding, most disagree and few agree with the Transparency and Value for Money objectives. The proportion of Contractors with a Low to Moderate expectations to increase their bidding agree more with the Transparency objective than the Value for Money objective. Uncertainty is greatest for those with Low expectations (32%) for the Transparency objective. Whereas Uncertainty is greatest for those with Moderate expectations (38%) for the Value for Money objective.

BIDDING – average value				
Less than \$10 thousand to \$99.9K	32%	65%	13%	53%

\$100 thousand to \$499.9 thousand	26%	56%	7%	70%
\$500 thousand or more	0%	67%	0%	86%
Regardless of a Contractor's average Bidding value, most disagree/ few agree with the Transparency and Value for Money objectives. The larger the average bidding value, the lower the agreement with both objectives of Transparency and Value for Money, and the higher the disagreement for Value for Money.				

The following comments provide additional insight as to contractor's expectations and concerns with the public procurement objectives:

CONTRACTOR'S COMMENTS RE: THE OBJECTIVES

- While we are supplier of goods and services to federal (Parks Canada), Provincial, and Municipal governments, our greatest concern has been with the local county which has a record of awarding contracts to the administration's friends, who are from outside of the county, and even from the other end of the country. RFP's have had the specifications stacked to favour preferred suppliers, with no credit being given to local suppliers. (Overall Rating 1)
- Favouritism, Political Correctness, corrupt leftist globalist thinking is destroying this country. We must start the dialogue of honesty, integrity, compassion yet proven results as business standards in Canada continue to fall dramatically due to our politically correct globalist agenda. Incompetence is all around us, and we must stand strong, be confident in our convictions as Canadians and 'right the wrongs' befallen our country, and within our corrupt government. Hire the right company for the job, stop hiring based on gender, religion or colour STOP THE INSANITY! (Overall Rating 1)
- The sub-contractors are often at the mercy of the general contractors who use a reverse auction system. Also less and less contractors are going to be bidding on government projects in the future as it seems to already be determined well before the bidding has started who the project will already be awarded to. (Overall Rating 1)
- Government should not be involved. Set up crown corp with wide shareholder availability. Not just the crown. (Overall Rating 1)
- Provincial Procurement practices are corrupt and twisted to certain companies such as Procom. (Overall Rating 1)
- What is all this "e.g.: gender, race, education, religion". Good grief - these things should be irrelevant. (Overall Rating 1)
- Government employees protect their jobs, vacations, pensions, coffee and lunch breaks. They are grunts and not entrepreneurs taking risks. Why would they want to change? (Overall Rating 1)
- Extremely ineffective on solutions oriented bids. Cookie cutter administrative only approach to procurement now. Under Service Alberta from 2000-2011 it appeared to be a more collaborative approach with the ministries and agencies with procurement providing consultative services rather than a watchdog 'by the letter of the agreement' approach. (Overall Rating 3)

- On the last point it is more about waste, inefficiency and lack of any support for innovation. (Overall Rating 1)
- The feeling I get (from a company perspective) is that nobody with any vision is leading the charge which had led to apathy within government which has led to a huge waste of resources with nothing getting accomplished, meanwhile the companies are not able to act because they are getting killed by deaths of a thousand tax cuts. (Overall Rating 1)
- Most companies already know which company they want and often that company has input into the RFP build. Most public orgs avoid RFPs as too time consuming. They take an alternative route whenever possible. (Overall Rating 1)
- As above - concern over fraud has created a system that is inefficient and actually loses pre-qualification standards, due to loss of standing offers. (Overall Rating 1)
- The thought you missed is "Is Alberta fair?" and with the lack of change management the answer is "No." (Overall Rating 2)
- I give the current system a C+. It is still a case of "who you know" versus qualifications, innovation, diversity, and fairness. Doesn't matter what side of the political spectrum is in power, change is slow and not welcomed. (Overall Rating 3)
- There is substantial systemic waste. For example, Calgary-based DIRTT are world leaders in their field -- they have a world-leading system for helping to rapidly and cost-effectively build out the interior of hospitals but AB Infrastructure will not use them because their system requires three bidders and DIRTT has no competitors. So DIRTT outfits hospitals in the middle east while AB Infrastructure hires foreign companies to install inferior products at a higher price. (Overall Rating 4)
- Free of fraud and corruption but waste is inherent in the rigid processes. (Overall Rating 5)
- Government procurement practices are not the issue, the blending and use of procurement as a public policy tool cause conflict. Government needs to do a better job of understanding their business requirements and their role in execution/delivery/use, then allow contractors to bid solutions instead of products (not every procurement is for a shovel!). (Overall Rating 5)

ADMINISTRATOR'S COMMENTS RE: THE OBJECTIVES

- Good procurement practices are needed. There needs to be a clear distinction between procurement for goods and services as being separate from awarding grants to innovators. There are a lot of people in the system (Government and public agencies - Alberta Innovates and post-secondary institutions) who have no clue what they are actually doing, why they are doing it. (Administrator - Overall Rating 1)
- I don't think there is much fraud or corruption at least in the areas I work in, there is certainly waste though. Poorly designed scoring criteria on RFPs, no real idea of what something should cost within the procurement teams. (Administrator - Overall Rating 2)
- These questions are difficult to answer because they contain terms and concepts that require further definition. (Administrator - Overall Rating 4)

Summary. Both Contractors and Administrators disagree with the stated positive objectives of public procurement. The Disaster Recovery objective is the only exception. Otherwise, Administrators rate high – higher than Contractors, government’s stated objectives of Innovation and Vision & Leadership, and Effectiveness. Surprising is the low rating Contractors have – considerably lower than Administrators, for the objective of Effectiveness. Government procurement and project management are well aligned. That is, deliverables are on-time, on-budget, and as specified.

Otherwise, while rated higher than Contractors, Administrators support is weak for the other objectives – particularly Value for Money – that both rate lowest. Of concern must be the generally low ratings by both Administrators and Contractors for the prime objectives of public procurement: Value for Money, Transparency, and OVERALL.

The low agreement and very high disagreement by Contractors with all objectives - other than Disaster Recovery, is consistent for most Contractor features with the possible exception of size. The disregard for the objectives of Value for Money and Transparency is highest for larger organizations.

The comments reviewed indicate that the prime issues are with waste not corruption or fraud.

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The next Section D. Recommendations and Conclusion, contains a summary of the survey respondent’s recommendations and an overall conclusion.