



Is Alberta's Public Procurement Broken? Section D

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 in Alberta. The results of the survey are being released in four sections. Section C. provided insight as to how administrators and contractors view Alberta's public procurement objectives as follows:

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.

D. Recommendations and the Conclusion

This - the concluding Section of the survey, identifies the respondent's recommendations. They are presented in clusters associated with the primary issues identified in the prior Sections re procurement practices and objectives. Note. The bullets that appear below after each recommendation are the direct quotes as received by respondents with minor edits to fix spelling, punctuation, and evident grammatical errors. Where corporations were identified, their names have been deleted.

With the exception of the objective of Disaster Recovery, both Administrators and Contractors agree that the objectives of public procurement are not being met and that there are serious flaws in public procurement practices. These perspectives are quite consistent for all Contractors.

The following Section D presents the recommendations of the Contractor's and the Administrator's for improving public procurement. The following word cluster highlights the overall concerns and associated recommendations. Each are then presented and discussed independently.

Procurement System Business Qualification Province Alberta
Proposal Bid Procurement Practices Government Flextrack
Process Locally Project Firms Making Bureaucrats
Transparency Survey Provincial

- 1. Acknowledge the support of Administrators and Contractors for the Disaster Recovery objective.** When disaster strikes, local businesses usually take the brunt of the impact. Disaster plans and recovery efforts should engage local businesses in helping the community recover.
- 2. Give Alberta's small business a fair chance – commit to innovation.** Government's use of social and - to a lesser extent, economic incentives are generally resented by contractors. Such incentives are viewed to be in conflict with the pursuit of best value. If incentives are, however, to be employed then small business should expect that incentives be included to redress their issues.
 - It is hard to tell how effective government procurement practices actually are. There are a significant number of large multi-national companies that seem to get the greatest benefit, and get high returns on their services. There does not appear to be any simple means for Alberta innovators to easily serve Alberta public sector procurement activities.
 - Small companies often cannot compete because of the requirements stipulated by government which are not translatable. The end result is eliminating small companies from the ability to bid. Have governments be aware of the discriminatory practice and alter requirements.

- More support of local suppliers.
- Get rid of large outsourced contracts to companies like ... *edited out*
- We need more small contractor access to government bids! investment in new ideas!
- In order for the Alberta economy to diversify itself from Energy/ O&G we have to start walking the walk around supporting local entrepreneurship. Critical to this is buying locally. We have to value it and make it a priority.
- Policy updates that allow for and prioritize a "try first + buy first" culture are needed. Enough rhetoric.

3. Value for Money requires a commitment to Innovation.

Throughout the survey reference is made to the merit of innovation in advancing the economy and adding value. Innovation is central to government's objective of providing Vision and Leadership. Yet, Contractors view Innovation as compromised in the practice and objectives of public procurement.

Comments frequently reference "waste" as the basis for the very low support for this objective. While several recommendations can be cited to redress the shortfall, most evident is the merit of innovation.

- In many cases, the request for proposals should define the problem and let industry bid with solutions (i.e innovation).
- Once a technology direction is set within a ministry they should not be forced to open the competitive process to every alternative provider in the market.
- Alberta Innovates (i.e. the tax payer) invests 200+M each year into R&D and commercialization yet the (health) procurement system is so risk adverse these investments become questionable as companies are forced to find first customers in other provinces or countries.
- I think the government should do three things:
 - 1) make a list of innovative procurement from Alberta companies
 - 2)dedicate 5-10% of procurement to innovative Alberta companies
 - 3)create plug and play centres to demonstrate innovative Alberta technology Value for procurement dollars rather than adherence to a process
- More openness to new products and processes proven globally versed Alberta only.
- The three bid process precludes Alberta entrepreneurs from submitting new technologies that are unique as they have no comparable bidders. This not the way to grow innovation in Alberta.
- Push for more RFI prior to making a decision on products or solutions. This will help open the opportunities to see ideas and options that may not be known by the department staff making these decisions.
- The AB Government should direct AB Infrastructure to sole source products from AB innovators when those innovators can provide a superior product on a timely basis at a lower price. (e.g. DIRTT).

- When an innovator brings an unsolicited project proposal to the government that would help address priority areas for the government, it should be seen as intellectual theft if the government responds by releasing an RFP to deliver the project that the innovator brought to it. Such intellectual theft causes innovators like us to avoid dealing with the AB Government at all.

5. Ensuring Transparency requires unbiased oversight. A periodic external review is needed for addressing the distrust and suspected favouritism, bias, and waste acknowledged by Contractors and Administrators.

- While rules are on the books to regulate purchasing practices, they are either not being enforced or there is no oversight being provided by a higher level of government, nor is there a complaints process in place.
- I would recommend an audit or review of the procurement processes. Specifically the use of Flextrack, the procurement process used to engage this service, the benchmarks used to determine value and achievement of results, the cost benefit analysis, compliance with GST regulations, conflict of interest, etc.
- A willingness to have politica and senior government officials with industry around the table for open debate on how to be better.
- Regarding municipal IT procurement - get rid of having only 4 pre-qualified vendors and allow all vendors to compete.
- Regarding provincial IT procurement - get rid of ... **edited out**, its a bad idea and is killing IT in Edmonton.
- Some municipalities use the process for finding the cost of a project for budgeting purposes, then disqualify all bidders and repost the work later in the year or in the following year.
- The Procurement Spectrum should be re designed with a Oversight component that includes a cross section of public, private, government, and elected members.
- Provincial GoA's procurement practices, especially IT Services are corrupt-filled with biases-definitely not competitive--there are many unfair and biased cases that were brought to the GoA procurement management's attention - which were quickly and secretly dismissed-without any clear and transparent explanations. A very biased and non-transparent set of practices -An ongoing issue and concerns that has never been addressed nor resolved because of clever cover-up.
- Developing proposals in many cases is a waste of time because the bureaucrats have defined the requirements to favour the preferred supplier.

6. Minor changes to public procurement practices should be considered to improve overall efficiency. Several practices core to obtaining Value for Money are identified as in need of review and removing inefficiencies contributing to waste and distrust. Heavy weighting on price is frequently mentioned and Flextrack is identified as an experiment gone wrong.

- More open to information

- We find that typically at the time of close there is demand for information that could be supplied after the close, which would help with getting more competitive numbers.
- More modern processes such as e-submissions, opportunities to clarify requirements up to release and even during bid processes needs to be provided.
- Clarity of Work
 - Clear work scope should be included in the walk-thru.
 - Provide procurement documents that are simple to understand (without legal jargon) and improve the fairness of evaluations.
 - Many of the requirements posted though the procurement process are complicated and require access to the people who are responsible for the delivery.
- Certification
 - All evaluations should be done without any vendor information, and all projects/procurement over \$5000 should require a qualification process. Still today we say hundreds of projects and agreements made or extended without due process.
 - Procurement is very heavy on asking for certifications and making them conditional for winning contracts. Contracts should be reviewed on merit by qualified personnel and certifications should not be used as a crutch in making decisions. Some RFPs and contract(er) requests are so heavy on certifications plus in such a large number for one contract, that it makes it hard for smaller organizations to compete on merit with large companies.
- Qualifications
 - Procurement should be qualification rather that cost based. Low cost providers are not always best.
 - Move to Qualifications Based Selection models that remove price out of the equation and then do the work under collaborative delivery models such as progressive design build, integrated project delivery, or modified design build.
 - Make budget public for each procurement. Stop making price a criteria.
 - The qualification process should be more transparent.
 - Bring back standing offers with a large pre-qualification process, and then streamline individual contracts to these contractors.
 - The current procurement process in the IT industry has moved to excessive mandatories and the requirement to write an exam to quality. What does not make sense is that there is a preferred vendors list under FasTrak process. This list has become a mailing list and does not ensure that government is identifying qualified vendors. In the absence of pre-defined vendors, each bid needs to be responded to as if it is a raw submission and does not provide any assurance to the Government Departments that the vendor is a proven supplier.
 - Government must have an up-to-date list of suppliers with details of their qualifications and must have a mandatory requirement for all providers to register with the Government.

- Applicants should be required to have a full time current management personnel presence in the province to apply.
- Flextrack is a major disincentive and should have it's payment terminated
- Simplify processes and educate administrators
 - Simplify processes and reduce redundancy
 - Better education for RFP creators.
 - Budget maximum thresholds are too rigid, as a result public projects are delayed.
 - Make the procurement process easier to encourage more public tenders for consulting related services or IT related services. Orgs just use other routes to avoid RFPs or keep using prequalified lists and favouritism to the big four consultant firms.
- Economic Development
 - Stop taxing people to pay for an innovation and procurement system that doesn't work.
 - Lower taxes, let the companies keep the money and provide tax incentives for buying equipment and a further incentive for buying Canadian made equipment.
 - Foster the manufacturing system and let people keep the money so they spend it and support consumer spending.
 - Stop taxing everyone to death as it's just a slow painful decline to the end.
- Social Development – mixed responses
 - There should be a preference to providers managed and owned by women and visible minorities.
 - Hire based on the best person/company for the job - period.
 - STOP THE INSANITY OF HIRING BASED ON PERCENTAGES OF MINORITY, RELIGION OR COLOUR. It has infiltrated our infrastructure, our government, and now our very way of life. Political correctness must end - or western civilization will be destroyed.
 - A model similar to the approach used in B.C. of project labour agreements will have more women and indigenous people involved in the construction of public infrastructure.
- Transparency – waste and bias
 - There needs to be a sealed bid tendering process.
 - The sub-contractors should be submitting separate bids from the general contractor.
 - There should no longer be a reverse auction system used.
 - More transparency
 - Suggest recording any meetings with staff if there is a transparency concern.
 - More transparency.

- Many of the Provincial projects feel like someone has the inside track, so they should stop wasting our time and just say so, like the Feds do with ACAN.
- Government should take back the responsibility of running and managing IT projects, bias toward multi-nationals is killing Edmonton's independent contractor IT industry.
- Recent bid had the bidders meeting (which was good) halfway through a three week response window. The response was very complex and yet they would not extend even one week. When they RFP with minimal response time, I'm likely not alone in assuming the project is wired and they are just going through the motions. How is this fair. They waste far too much time on the RFP and leave no time for the bid.

7. Modernize Alberta's Public Procurement. Is public procurement broken? That \$Bs are being wasted particularly in construction and infotech is acknowledged - and public. The level of non-support for public procurement throughout the survey and frustration among contractors is palatable. Several recommendations hint at the value of learning from others and collaborating for modernizing public procurement in Alberta.

- Program similar to Federal BCIP program for Alberta produced products
- The current design-bid-build procurement system is outdated and not reflective of responsible use of public funds.
- Get away from conventional Design - Bid - Build delivery models which do not encourage collaboration.
- Modern systems such as IPD better maximize projects outcomes leading to better overall project execution.
- Current entrenched delivery models are a race to the bottom and provide NO VALUE for \$.
- Encourage relationship building and trust between those that procure, those that design, and those that build.
- I suggest having a Procurement Committee that equally includes government official and members of the public with experience in the various aspects of procurement (NOT just people from large companies). The members would work on each request and provide advice, oversight of govt practices-->act as Oversight body. (Administrator)

8. Nothing to add – though frustration is apparent. The following comments were received in the request for recommendations, but are not constructive:

- No point at this time! It would be futile...
- Nothing further.
- NO.
- No
- no
- I think if this province wants to diversify it needs to do more than talk which is all politicians appear to do .. that and try to stay in power.

- Municipal procurement is worse than its provincial counterparts.
- Not at this time
- Public procurement in the areas I've worked with are constricted and ineffective.
- Small firms take greater risk than large firms if preparation effort is unfunded/unsalaried
- Get government and bureaucrats out of the business
- Visit the minster, join the party
- I have a ton that we could go through.

9. Survey discredited. We can do better

During the survey we were criticized for the broad distribution of the survey and the survey's leadin title "Is Alberta's Public Procurement Broken?"

- Re-writing the survey. (Administrator)
- Leading (the survey questionnaire) with public procurement is a source of waste, fraud and corruption discredits and biases this survey. It is NOT a factor of large financial flows. Procurement problems are created by business lines and procurement rules having competing interests internal to government. (Administrator)

Conclusion. The survey was designed to obtain an independent view of public procurement in Alberta. It was triggered by reports of waste and repeated complaints about public procurement bias received by ABCtech. The objective has been met and the results too obvious and significant to ignore. What is not so obvious is how to re-establish trust among the various stakeholders in the system. Of the array of recommendations cited above, these would appear to be the more reasonable for starters:

1. Establish Oversight. Establish standard expectations and expect all bidders to complete a simple anonymous evaluation of the procurement process accompanying each bid..
2. Continuous Improvement. Engage a 3rd party to conduct an audit of the public procurement system – it's practices and objectives engaging contractors and administrators. Target the gaps and follow-up on improvements annually. Propose recommendations and standards.
3. Engage Industry. Review all public procurement practices with the intent of increasing small business engagement, promoting innovation, and incenting collaboration/partnering.
4. Special Consideration for Emerging Technologies. Emerging technologies are challenging all public procurement practitioners to remain up-to-date on the latest innovations. This is particularly true in information management affecting all industries and all departments -

healthcare in particular – given the extraordinary costs and waste reported in the development of health information systems. The rate of change is so great as to make the task of encouraging innovation while also containing costs, managing risk and avoiding waste.

5. Listen. The Government of Alberta should establish an Industry Advisory reporting to the Minister of Service Alberta with responsibility to file an annual report with the Minister and the public on the status of public procurement.
6. Learn. Host an annual conference for stakeholders to be exposed to best practices in public procurement

Public procurement spends \$Billions annually and is fundamental to public services throughout the province. It is viewed with distrust and needs fixing. There will be those who rely on the status quo, who will resist reform. However, with the shared objectives of Value for Money and Transparency and Effectiveness including a high regard for Alberta enterprise and innovation, the proposed recommendations should be widely accepted.

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