

# PROCUREMENT DAY

April 16, 2012

## EXECUTIVE SUMMARY

*"Seek first to understand, then be understood."*

- Stephen J. Covey

Kingbridge Conference Centre  
King City, Ontario

## Executive Summary

The first Provincial Construction Procurement Day was held in King City Ontario on April 16, 2012. Contractors, buyers, designers, consultants, insurers, government and association representatives met to build understanding of the issues they face in the design and construction services procurement process, and to identify mutually satisfactory ways to address those issues.

Participants identified several priority issues.

## Key Priority Issues

*The following issues were identified as the top-priority issues that emerged from the small-group discussions of the issues encountered in the procurement process:*

### Top-priority issues to be addressed

- Risk management
  - Contract awards and tender awards
- Evaluation
  - The evaluation process and quality-based selection
- Procurement isolation and lack of knowledge
  - Procurement departments isolated from the end product, client, contractors, subcontractors, design professionals and facilities
- Use of non-standard contracts and supplementary conditions
- Non-use of standard contracts and use of excessive supplementary conditions
- Quality of tendering documents
- The stressed process
  - Lack of time; weak documents; unclear project scope
- Communications
  - Communication among various parties and potential for creating adversarial relationships

A number of potential solutions were proposed. Some of the key recommendations were as follows:

### Risk Management

- Focus on risk management rather than risk transfer.
- Recognize that some risks cannot be transferred.
- Clearly identify the risks, roles and responsibilities. Educate to ensure understanding.
- Build strong teams. Focus more on collaboration and engagement, and less on avoiding litigation.
- Do proper planning, risk partnering and risk assignment.
- Set out rules of engagement so that everyone takes on appropriate risk.
- Allow adequate tendering time.
- Simplify requirements and evaluate bids based on quality and not just price.
- Recognize the important role of pre-qualified submissions.

### Evaluation

- Shift the focus more toward quality rather than price.
- Be more transparent about the project budget.
- Create CCDC standard forms for prequalification (for consultants and contractors).
- Have a two-envelope selection process: a qualitative assessment; then a cost comparison.
- Use pre-qualification with CCDC 2. Factor in performance evaluation.
- Identify an industry-standard (or recommended) fee.
- Use QBS (quality-based selection). Find a forum to encourage the use of QBS.
- Consider the team composition and previous experience working together.

### Procurement isolation and lack of knowledge

- Educate the procurement group on the client group's needs and the contractor's bidding process.
- Allow realistic timeframes for the tendering and procurement process.
- Have more consistency across different departments within the organization.
- Create industry working groups (bidding/closing, clauses, design).
- Implement weekly progress reports and involve designers at various stages of a project.

### Use of non-standard contracts and supplementary conditions

- Increase communication amongst all parties: build understanding and find consensus.
- Have larger governing body assess non-standard contracts.
- Ensure that risks are clearly defined and assigned.
- Use clear language in non-standard contracts and supplementary conditions.
- Have owners stipulate that general contractors use some standard contracts with all subcontractors and suppliers.
- Work together as clients to develop common supplementary conditions for construction and design services.
- Review supplementary conditions with contractors.

- Recognize that some supplementary conditions and risk transfers are inevitable – ensure that they are sensible.

### Quality of tendering documents

- Use QBS.
- Allow adequate time for proper design development.
- Ensure that the designer understands construction logistics.
- Incorporate a construction design review by an expert.
- Communicate clear expectations of the work required (owner to consultant).
- Create a database of issues so that the industry can find solutions.

### The stressed process

- Identify inefficiencies in the tendering and bidding process.
- Create interactive teams, build understanding and raise the profile of procurement.
- Develop a long-term plan to improve communication and reduce silos.

### Communications

- Have a project leader to oversee an integrated design and construction process and communicate feedback throughout the project.
- Use communications tools (one-on-one, online Q&A's, forms, clear response times).
- Start with a clear scope of work and clear documentation.
- Ensure an integrated design and construction process.
- Do a post-occupancy evaluation.

This event was the beginning of an ongoing dialogue and will be held regularly. The meeting identified a number of potential next steps. Continued participation is encouraged through a special website set up for procurement issues: [www.procurementproject.ca](http://www.procurementproject.ca).

## Key Messages

- We got a chance to listen to the “other side” and learn about the restrictions they face. For example, it was interesting to learn what restrictions the procurement people face and some of the guidelines they have to follow.
- Everybody is taking responsibility for their part of the process.
- Too often we look within our own sector but we have to share information about what is happening throughout the entire industry.
- QBS is not new: it is a wheel that does not need to be reinvented. We just have to adapt it.
- The process is not broken. At times it is misunderstood; but it can be made better if we work collaboratively toward the main goal.
- There is value-added in this process.
- How do we implement the process and make any agreement reached binding on all parties?

## Conclusions

- We need this type of cross-sectoral interaction to continue.
- We should focus on finding solutions through group discussion.
- Every area or sector should create its own list of issues. Then, as a group, we should prioritize those issues and focus on one or two at a time.
- Everyone agrees on the need to reconcile stakeholder interests.
- It is important to communicate key messages and conclusions to those who did not attend the April 16<sup>th</sup> Procurement Day. Oversight organizations can communicate messages.
- Risk management involves identification, quantification and allocation.
- We need ongoing information from the design side, as well as information on the top 10 procurement issues, education pieces and templates.
- More time and money should be allocated on the front end for planning and risk mitigation. The goals should be to achieve clarity, reduce the use of non-standard documents and reduce “risk downloading.”
- A key measure of success is to get agreement amongst all parties on the key issues.
- We can improve in three areas: fairness and transparency; more use of QBC; and the elimination of procurement silos.