



BULLETIN

BC Construction Association

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CONTRACT OUT!

It is evident in many of the Service Plans recently published by Government Ministries that outsourcing government services is going to play a much larger role in the coming years. This is good news for the construction industry, and something we have consistently lobbied for. "Contract Out" we have said--over and over again. It appears that we have finally been heard.

The time has come to reverse the trend of the past few years that saw a number of government agencies creating and expanding multi-disciplined in-house staff to provide expertise in such areas as planning, design, construction management and actual construction work. With government agencies in BC facing increasingly tight budgets, the need to efficiently allocate scarce resources is critical. In order that the taxpayers can receive the best possible services, agencies must focus on their core activities and seek to outsource others to private industry. Outsourcing, often referred to in the construction industry as "contracting out", is a proven method that will not only lower costs for government, but will also improve the quality of work done, and provide expertise and innovation not available with the use of in-house forces.

Outsourcing works—if it is done correctly. Government must be careful to make as clean a break as possible. In other words, services that are to be contracted out must be done so without a long list of conditions and requirements that inhibit the normal efficiencies of the private sector. Government will have some hard choices to make, particularly with regard to public employees. Allowing the public in-house forces to compete with the private sector may appear to be an inviting solution. However, such an approach can be problematic as it is very difficult to create an absolutely even playing field. In order to create such a field Government would have to take into account the following:

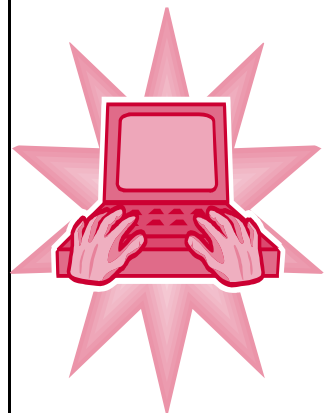
- All protections and special privileges that in-house forces enjoy over private firms simply by virtue of public-sector ownership should be removed.
- Requirements for bonding should be equal.
- The in-house team must not get to adjust its bid after seeing the private bids. This not only destroys the possibility of a fair competition it sends the message to private contractors that they are just being used by politicians to obtain concessions from in-house forces. The private contractors will quickly figure out that it is not worth the trouble and expense of bidding again.
- Insurance requirements must be equal or at least the costs taken into account. Any public bid should include a valuation of any risk being allocated to the private sector bid.
- In-house forces should not be automatically pre-qualified.
- The varying expertise and qualifications of both the private and public teams should be examined.
- Sanctions applied to the private sector for any performance failure should also be applied to the in-house forces.
- Government should build a wall between the government as purchaser and the government as service provider, and make transparent any differences between private and public bids. A fair bidding process must be established and adhered to.

Developing an even playing field, so necessary to ensuring the best use of the taxpayers' dollars, is not an easy accomplishment. Any movement to allow a public v. private bidding competition on construction work should bear that in mind.

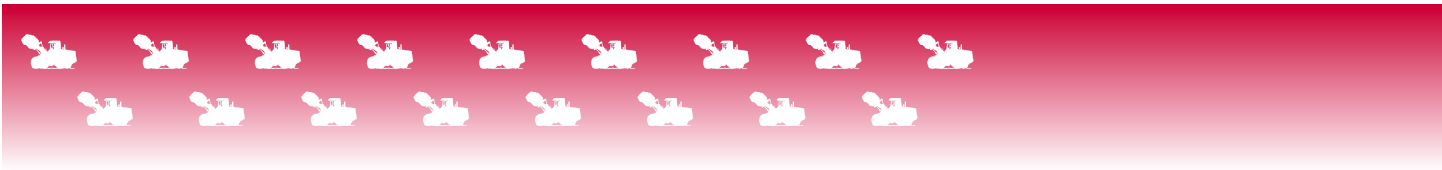
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CONTRACT OUT! (cont')

At the end of the day one thing is clear: Studies have consistently shown that there are many benefits to outsourcing if it is done in the right manner, including:

- Improved Quality
- Reduced Stand-by Costs
- Increased Innovation
- Faster Project Delivery
- Access to More Expertise
- Improved Risk Management
- Higher Project Efficiencies

The construction industry is ready and willing to do the work, and to bring those benefits to the province as a whole. It is good to remember, however, that perhaps the most beneficial result of the whole process would be the increase of work for the private sector. More jobs, more economic development for B.C., and more support for those small businesses that in turn support the communities that we all live in. Truly a "Win-Win" for all of us!



BCCA MEETS WITH BC SCHOOL DISTRICT SECRETARY-TREASURERS' ASSOCIATION



The BCCA has been asked to host a seminar at the BC School District Secretary-Treasurers' Association Conference this month. It is an excellent opportunity for us to communicate our positions on a number of concerns and promote continued dialogue between our organizations. The three-hour comprehensive seminar will cover the following topics:

Construction Industry Issues: This includes a discussion of the expectations of industry with regards to public tenders, as well as an overview of the electronic plan room and plan distribution services provided through the Regional Construction Associations.

Construction Procurement Services: An overview of the current standard contracts and guidelines available, and a discussion of tender calling procedures including:

- pre-qualification
- invitation to tender

- surety, bid depository
- mandatory site visits
- specifications: separate & alternate prices, extended warranties, cash allowances, indemnification
- contract award procedures : formal & non-conforming bids, own forces bids, over budget negotiations
- contract administration: changes to work, dispute resolution, surety company communications, Builders Lien Act
- other procurement methods: construction management, design build, private/public partnerships

It is our intention to provide the School District representatives, as public owners, the perspective of the construction industry as it relates to capital projects. We hope that this interaction will result in an enhanced mutual understanding of the issues, and a better working relationship for all parties in the future.



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The mission of the BCCA is to provide leadership and excellence in the representation of and service to British Columbia's construction industry