

Policy Statement

Project Bundling

The SCA strongly maintains that the bundling of construction projects is an inappropriate procurement tool, as it artificially inflates the scope of projects, restricting the ability of smaller, local companies to bid on jobs they could otherwise perform successfully.

Policy Recommendations

- Whenever possible, the provincial government should encourage the success and innovation of Saskatchewan businesses by ensuring procurement opportunities are structured in a way that allows them to compete and invites alternative solutions to public needs.
- The provincial government should never bundle individual projects into larger multi-project contracts.
- If the provincial government *must* bundle a project, it should immediately reach out to industry stakeholders at-large, to ensure the project is structured in a way that does not harm Saskatchewan businesses by artificially limiting competition.

Rationale

Artificially restricting competition, intentionally or otherwise, is bad for local business, small business, investors, and taxpayers. Artificial thresholds limit the number of bids — negating downward pressure on price by reducing competition and innovation.

When an owner, for example, asserts that three distinct facilities are appropriately awarded under a single contract, they prevent those businesses that could deliver one or even two of those facilities from bidding.

Bidding on construction work often requires capital allocation for security and bonding. It also requires guaranteeing the resources are available to deliver the project, including labour, equipment, and material financing.

Construction is primarily made up of small companies. In fact, 94 per cent of Saskatchewan construction businesses have 20 or fewer employees. Consequently, the size and cost thresholds that prevent Saskatchewan businesses from competing in the market are not difficult to reach.

Background

Project bundling — such as the 2015 procurement of two separate bundles of nine elementary schools across the province — has a detrimental effect on construction Saskatchewan businesses. It removes the regionality of local projects, makes them more complex, and requires a larger cash reserve for bidders to consider.

Therefore, competition is often significantly reduced, and fewer small businesses become involved in the procurement process. It also positions the bid as more attractive to larger, more sophisticated out-of-province companies — shifting the majority of the economic benefit to other Canadian jurisdictions, while leaving Saskatchewan taxpayers to foot the bill.

Furthermore, there is substantive concern over the potential loss of community engagement and appropriate local needs analyses if facilities like schools and hospitals are not designed and built with these factors in mind.

To offset some of these concerns, the Government of Saskatchewan has launched the Priority Saskatchewan initiative, and has renewed its commitment to infrastructure investment — positive steps forward, but inadequate to constitute as a mitigating solution.