
**THE BENEFITS OF EARLY
TENDER CALLS IN ONTARIO**



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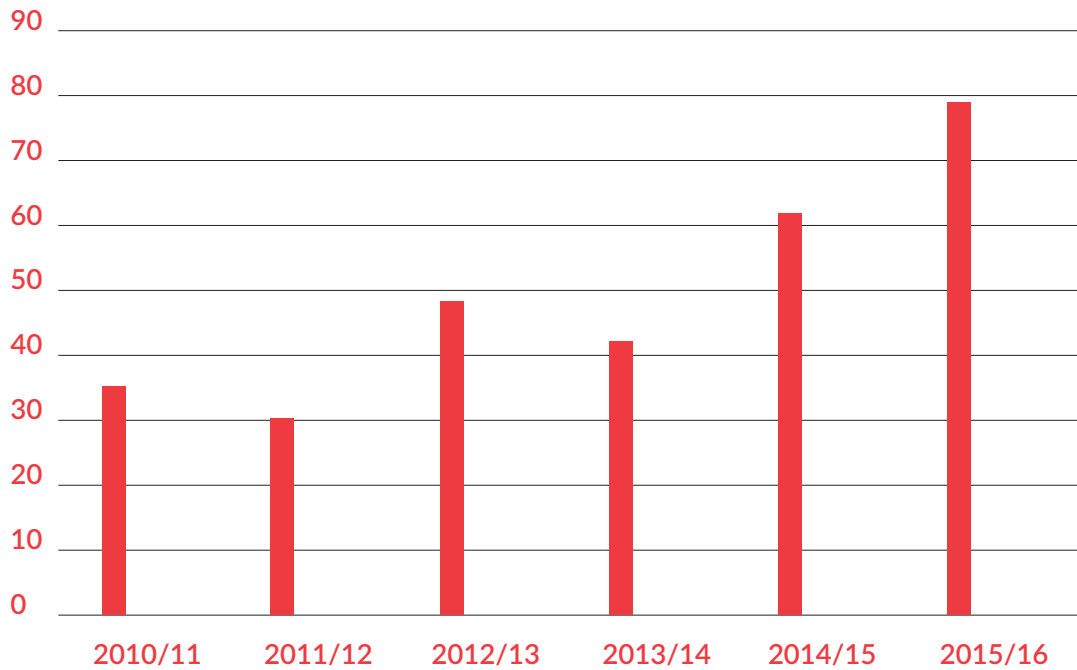


Figure 1: Total Number of Early Tenders (Jan-Mar) Released by the Ministry of Transportation

What are early tender calls?

Tender calls refer to the procedure for generating competing offers from different bidders looking to obtain an award of business activity in works, supply or contracts. Early tender calls refer to tenders that are announced in the first quarter, or Q1, of a calendar year.

Early tender calls have proliferated in the past few years with more public owners releasing tenders in the first quarter of the year. For example, from 2010/11 – 2015/16, the Ministry of Transportation (MTO) has released a total of 296 early tender calls, with a continued annual increase of released tenders from 2012/13 (See Figure 1). These early tenders represent both major head office tenders and major regional tenders greater than \$100,000. In 2016, the MTO released 78 early tenders from January 1 to March 31 with an estimated total value of \$650 million.

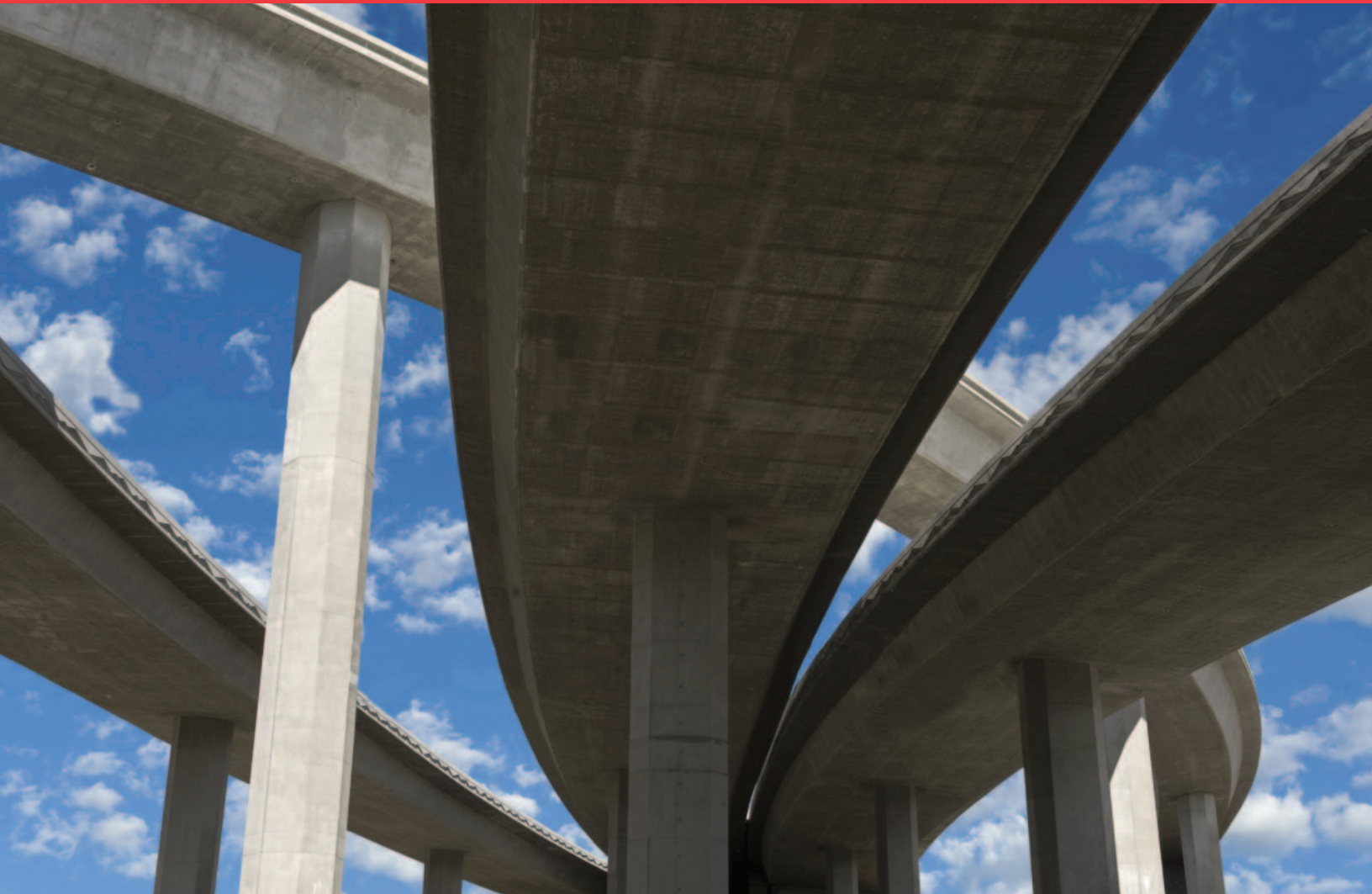
ORBA and its members advocate for early tender calls and believe that the process of releasing tenders in the winter months of the year provides for financial clarity for both owner and contractor, delivering exceptional final product to the public and improves the overall efficiency of business practices in the province.

Why are early tender calls important?

In Ontario, especially in specific areas such as Northern Ontario, there is a very limited window to work on most construction items. There is a common saying that a year's worth of work is done in six months. Early tender calls simply maximize the already limited construction time.

As tenders are made available in the spring/summer months, which is prime construction month, there is a lag between tender and the actual start of construction, especially when considering the other administrative tasks that must be performed prior to "shovels hitting the ground" such as contract signing and prestart meetings.

Tenders not released early impede the capacity to build which in turn has a negative impact on not only revenue, but pushing the completion of construction jobs to late fall/early winter has the potential to jeopardize the quality of the work.



What is the positive impact of early tender calls?

The process of early tender calls allows contractors to do more work during the longer-light days of summer, which maximizes their utilization of equipment, which in return reduces cost and thus reduces the overall price of a project and the cost to the taxpayer.

“Early tender calls allow contractors to maximize the efficiencies of their work - labour, equipment and material procurement. Inevitably this leads to best value tender results”

- Jim Hurst, Vice President, Construction and Maintenance, Steed and Evans Limited

Early tender calls that are made available in the winter months allow contractors to secure labour and necessary technical equipment early so once the weather turns favourable, they can begin work right away. This allows for the most productive way to work as it allows companies to put their forces to work sooner and it lowers the likelihood of workers finding alternate employment, which increases turnover, and complicates labour planning and reduces the quality of labour as there is reduced consistency in a company's labour force.

Early tender calls provide financial clarity not only for contractors, but also for public owners. The earlier that tenders are released, the earlier budget numbers become actual numbers which allows for the full budget to be properly and completely spent. Often time, public owners have budgets that are underspent because tender and project prices came in lower than expected.

“Having early tender calls allows us to put our crews to work as soon as the warmer weather returns in the spring, making the best out of an otherwise short construction season. It lets us better plan resources and therefore leads to better value and quality for the contract Owner”

- Martin Gran, Chief Financial Officer, Pioneer Construction

Having a large number of contracts tendered early will allow for the adjustment of budgets and cost before the season is over. The more projects that are tendered early, the more clarity there is around how much money is left in a budget and the more chance there is to properly and adequately spend the budgeted funds.

Financial clarity provided by early tender calls is a key component necessary in creating predictable and dedicated funding for infrastructure in the Province of Ontario. Ontario’s road, bridge and transit infrastructure is aging and congested, with present funding barely offsetting the erosion of the existing networks due to underinvestment in previous decades. There is a need for expanded road, bridge and transit capacity to address increasing urbanization and resulting traffic congestion (See Figure 2). As transportation infrastructure assets age and demand for usage increases, municipalities must have the ability to extend the life of existing road, bridge and transit infrastructure asset for as long as possible.

Economic Benefits of Infrastructure Investment

Research conducted by the Canadian Centre for Economic Analysis shows that a \$1 billion investment in Ontario’s infrastructure generates and supports \$16.3 billion in GDP in the Province over the next 30 years, assuming other growth occurs.

Research shows that on average, a \$1 billion investment supports 85,000 jobs in the province over the next 30 years.

Wages paid are expected to grow by approximately 42 percent with 19 percent of that growth being supported by the planned infrastructure investments. That is \$6.5 billion of additional total wages being paid for every \$1 billion of infrastructure investment made over the next 30 years.

Provincially, for every \$1 billion invested in infrastructure as part of the outlined \$130 billion investment proposal, \$1.7 billion in provincial tax revenue and \$1.6 billion in federal revenues will be generated over the next 30 years.

Figure 2: Economic Benefits of Infrastructure Investment

| Economic Indicator (2015 real \$, billions) | 30-year Traditional Analysis Results | 10-year Agent-Based Modelling Results | 30-year Agent-Based Modelling Results |
|---|--------------------------------------|---------------------------------------|---------------------------------------|
| Real GDP | \$1.2 | \$9.1 | \$16.3 |
| Private Capital Investment | \$0.1 | \$4.3 | \$4.3 |
| Job creation (job-years) | 15,000 job-years | 45,000 job-years | 85,000 job-years |
| Total wages paid | \$0.9 | \$2.7 | \$6.5 |
| Provincial tax revenue | \$0.2 | \$0.9 | \$1.7 |
| Federal tax revenue | \$0.2 | \$0.8 | \$1.6 |

Recommendations for municipalities

ORBA members fully appreciate that public owners do not have the ability to over-commit prior to budget season. However, if there was a “comfort figure” of 70 – 75 per cent of work that is tendered in the early months, that would create many positive outcomes as well as allow the public owner the flexibility to tender the remaining projects over the summer months.

“Early tender calls provide clear and tangible benefits for both contractors and public owners by allowing proper planning for the upcoming construction season and eliminating inefficiencies in the delivery of projects. ORBA would like to see the current trend of early tender calls in public projects continue to grow and strengthen throughout the province.”

- Ashley De Souza, Director of Government Relations, ORBA

There are a number of things that would aid in the process of increasing the number of early tenders, such as multi-year planning and having an inventory of ready-to-start projects that have already been designed. Public owners can also implement tendering methods to simplify the bidding process, like quantity-based tendering.

Early tender calls are an essential component of developing concrete steps to ensure that the infrastructure landscape of the province remains strong and competitive. Early tender calls are a great tool to ensure that transportation infrastructure funding is maximized and allocated to key assets.





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