SUBJECT: Elimination of Newspaper Advertising of Tenders and Requests for Proposals (RFPs) FCS05108 (City Wide)

RECOMMENDATION:

That the mandatory advertising of Tenders and Requests for Proposals (RFPs) (over $100,000), in local newspapers, be discontinued, effective January 1, 2006.

Joseph L. Rinaldo, General Manager
Finance and Corporate Services

EXECUTIVE SUMMARY:

The City spends in excess of $100,000 annually on the advertising of Tenders and Request for Proposals in local newspapers. A recent survey of nineteen Ontario municipalities determined that three of the nineteen have discontinued newspaper advertising and have moved to electronic advertising instead. Locally, the City of Oakville and Halton Hills, have moved in this direction. They have achieved considerable savings by doing so. Most of the municipalities surveyed indicated they would be considering the discontinuance of newspaper advertising in the next year.

Electronic advertising would make City purchasing needs known to suppliers across Canada. This increased competition could result in the City receiving lower prices. As part of the 2006 budget initiatives it is recommended that the City move to electronic advertising and discontinue advertising in local papers, except in the case of major contracts.
BACKGROUND:

Historically, the issuance of Tenders and RFPs, for major government contracts, have been advertised in newspapers of general circulation. Unfortunately, newspaper advertising is expensive. Currently, the City pays approximately $800 for a typical tender notice. Current policy is to advertise all contracts, where the estimated value is likely to exceed $100,000.

A growing number of public authorities have discontinued the use of newspaper advertising. GO Transit has not used such advertising for some years. There is no requirement under the Municipal Act for newspaper advertising. Both NAFTA and the Agreement on Inter-provincial Trade favour the use of electronic advertising.

Currently, City contracts have attracted little interest from suppliers outside a 100 mile radius of Hamilton. Electronic advertising informs suppliers from far and wide that City contracts are up for bid. There are several different, widely recognized, electronic advertising venues. One such venue is the Merx system which has been rated by users of it as “easy, fast and efficient”. Other venues include the City of Hamilton website, ETN Bid Navigator and the Ontario Public Buyers Association website.

ANALYSIS OF ALTERNATIVES:

The City of Hamilton would advertise all Tenders and Request for Proposals electronically on the City of Hamilton’s website and on ETN Bid Navigator and/or, Ontario Public Buyers Association website, and/or Merx. This will eliminate the cost of advertising in the local newspapers. The City of Hamilton will be in compliance with the standard for advertising Tenders and Request for Proposals, set forth in the Municipal Act.

There are arguments both in favor of and against discontinuing advertising. On a positive note:

1. Newspaper advertising does not seem to increase the potential range of suppliers for City contracts. The City maintains a list of suppliers (or “vendor data base”) for each type of contract and notifies the organizations on that list of every contract put out for tender. Most suppliers over the past year who bid for City contracts were on such lists. Almost all (if not all) of the most competitive suppliers across Canada subscribe to Merx, which is the leading current electronic tender database for government contracts.

2. Electronic advertising is the emerging trend. The Province of Ontario currently uses the Merx system. As of Monday, September 26, the Merx database listed 186 different construction contracts that were open for tender. (refer to http://www.merx.com/).
3. The cost of electronic advertising is substantially lower than newspaper advertising.

4. The Hamilton Spectator has done a good job with the “At Your Service” page. Right now, advertising expenditures allow the City to reach suppliers almost entirely located in Hamilton, Burlington and St. Catharines. At the present time bidders can get all information on Tenders and RFPs by buying the Friday Spectator.

Balanced against the above considerations are the following:

1. Small suppliers generally are less likely to take advantage of electronic advertising. For certain types of contracts, there is an advantage in attracting small, local suppliers.

2. Newspaper advertising gives local suppliers a slight edge in competing for City work, since some out-of-town suppliers simply never hear that contracts are available.

3. Newspaper advertising increases government visibility. People in Hamilton often learn of major projects due to the publication of tenders.

4. Electronic advertising is less widely used while newspaper advertising remains the more established method of advertising, although this will probably cease to be true within two to five years.

Some municipalities use the Bid Navigator system rather than Merx. Others have developed their own internal sites. The City currently has a website which could be used for this purpose, but it would not expose City contracts to the widest range of potential bidders as the City website would not be widely recognized by national vendors.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

The advertising budgets for goods and services are spread across various City departments. Electronic advertising generally is free to the government advertiser. Suppliers pay for the service by way of subscription or on a fee per tender basis. For very large dollar contracts, less than 10 per year, it is recommended to continue newspaper advertising in conjunction with electronic advertising, to ensure that all potential contractors/suppliers have appropriate notice of the availability of the contract. Some consideration should be given as to whether such newspaper advertising should be in a paper of broad national circulation, such as the Globe & Mail or the National Post. A shift to electronic advertising will likely reduce the City Of Hamilton’s costs by approximately $100,000.

As noted above, there is no legal requirement to advertise City contracts in a newspaper. Electronic advertising is the emerging trend.
There is no apparent staffing implication. However, the requirements of electronic advertising are more exacting than the traditional method, and consequently it will be necessary to retrain purchasing staff in the new procedures.

**POLICIES AFFECTING PROPOSAL:**

There are no affected policies.

**CONSULTATION WITH RELEVANT DEPARTMENTS/AGENCIES:**

Public works was consulted with respect to this proposal. Currently, Public Works advertises its contracts through the City website.

**CITY STRATEGIC COMMITMENT:**

The recommendation is consistent with prudent management of City funds.