

MEMBER STATEMENT—JULIE GREEN, MLA YELLOWKNIFE CENTRE

INCREASED SOLE SOURCE CONTRACTING LIMITS

June 16, 2016

MS. GREEN: Mr. Speaker, sole-source contracting is the buying of goods or services without competitive bidding. In February, the Finance Minister announced changes in the limits for granting of sole-source contracts. The sole-source contract limit for goods and non-professional services was increased from \$5,000 to \$25,000, for professional services from \$25,000 to under \$50,000, and for architectural and engineering professional services, to under \$100,000.

Sole-source purchasing is governed by the procurement guidelines of the GNWT contract regulations. The procurement guidelines list a series of criteria, standards, and evaluation points which must be met. They allow purchases where delay would be "injurious to the public interest," or "only one party is available or capable of doing the work."

Sole-source purchasers must complete an authorization request explaining the circumstances which make sole sourcing necessary. The criteria would appear to make the practical exceptional. In reality, it is common place. The most recently published 2013-14 GNWT report of contracts over \$5,000 shows that \$41.6 million was spent on sole source. Sole source appears to be a mechanism allowing mid to senior managers to conveniently make purchases without the delays or administrative burdens of bid contracting or price negotiation.

Now, those levels of convenience are dramatically larger, raising large concerns. At the very least, routine use of sole-source purchasing can lead managers to resort too frequently to non-competitive supply. Without reporting to the marketplace occasionally, purchasers may be unaware of product improvements, price shifts, and the availability of new sources of supply.

Competitive bids which accrue savings of as little as \$1,000 per contract could accumulate major savings across the volume of small contract purchasing. It is a fact that \$25,000 to \$100,000 is no longer a small purchase. Raising the ceiling on sole source contracts will negatively impact many Northern small businesses. It is the smaller contracts that Northern businesses bid on because they are compatible with their capacity. While we may not like to speak of it, these higher levels raise the possibility of malfeasance and corruption in the spending of public funds. These elevated amounts increase the possibility of kickbacks and preferment. I'll be looking for a much more rigorous oversight in this process, and I'll have questions for the Minister. Thank you.