

*The City of Toronto is considering the adoption of a fair and open contract bidding policy for all its public construction projects. So, the city invited Cardus Work & Economics Program Director Brian Dijkema to testify before Mayor John Tory's executive committee on June 6, 2019, providing a research-backed take on the city's procurement policy. Here is the testimony Brian provided.*

Thank you very much for your service to this city, and thank you for allowing me to speak to this important issue. My name is Brian Dijkema, I am program director for work and economics at Cardus. I am author, or co-author with leading economists and procurement experts of at least 8 papers on this subject and in the next five minutes I will do my best to share the insights from that research with you.

The key question that faces the council is whether the City of Toronto will choose to be a city that follows its own stated principles of being an open city, or a closed city. Whether it is willing to work with any qualified person or group that wishes to build Toronto regardless of their private choices, or whether it wishes to punish people for those choices and reward a small group of businesses that have a financial interest in the closed and restricted system we have now.

The City's procurement directives state that "Whenever possible, competitive methods of procurement will be used to obtain the best value for the City." Ladies and gentlemen, a competitive method of procuring construction to build the splash pads, water treatment facilities, and affordable community housing that Torontonians need is now possible. How does the city define competition? A situation where "suppliers are given an equal opportunity to bid."<sup>1</sup>

Currently a large swath of suppliers are prevented *any* opportunity to bid because their workers exercised their constitutional and personal right to associate in ways they think best for them and their family. To elect to stay closed is to elect for the City of Toronto to be against "equal opportunity."

That is not the ethos of the Toronto that we know and love. If you want to keep the Golden State Warriors from bidding, everyone would be on your side. But forbidding Torontonians from working in their own city is just wrong. Jurassic Park is open for anyone who wants to cheer on Toronto: it's procurement should be open to any qualified person who wants to build Toronto.

Research shows that there is no compelling reason to stay closed.

Those with a vested interest in maintaining the status quo assert without basis that opening tendering will result in less safe construction jobsites. But to do so they rely on a paper that has serious methodological flaws. They failed to either note or control for a highly significant variable: the use of safety prequalification criteria by owners such as the City of Toronto. Their numbers are likely significantly skewed as a result of this failure to properly measure safety influences on job sites, and they have not shown that their samples were not biased to favour their preferred outcome. In any case, municipalities across the province make use strong safety criteria in a fair, open, and competitive bidding environment to drives safety records. The City of Toronto should do the same.

They also assert that a closed environment will lead to a more diverse labour market. But I ask: how does excluding vast segments of Toronto's population who make unique choices contribute to a diverse labour

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<sup>1</sup> [https://www.toronto.ca/legdocs/municode/1184\\_195.pdf](https://www.toronto.ca/legdocs/municode/1184_195.pdf)

supply? It's like saying that Jurassic Park will be more diverse, if you allow only Building Trades members to cheer for the Raptors. No. Diversity in the labour force is a product of diversity of the marketplace. Scholars have shown that increasing restrictions in labour markets reduces the opportunities for immigrants and underrepresented populations. It's very strange to signal that you're open to new immigrants, women, and other populations by electing to close off bidding to a privileged few.

Our numbers about the cost implications (a range of 8-25% cost increases) are numbers that, contrary to our critics, are neither arbitrary nor made up by us. They represent the work done by organizations such as the OECD, economists from the University of Toronto, and basic competition theory. And our results from places like Waterloo – where the bidding pool shrunk by over 50% as a result of closed tendering-- support that theory. Ours is not some idiosyncratic view; it is a settled consensus. This recommendation on best bidding practices comes from the OECD. Prices and corrupt practices are kept in check by “competition by maximising participation of potential bidders [and] by . . . establishing participation requirements that are transparent, non-discriminatory, and that do not unreasonably limit competition.”

Ladies and gentlemen, it is important to remember that closed tendering treats the City of Toronto like a private firm that is driven by the profit motive rather than public service. It is not. The City of Toronto is a corporation motivated to by a desire to serve all of its citizens, regardless of their private beliefs, associations, and identities, and to provide them with an equal opportunity to build the beautiful city in which they live, work, play, and raise their families. Open tendering means an open city. I trust you will make the right decision.