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AND M.L.A., INUVIK.



Decision to Waive the 5% Local Preference on the Tender  
for Legislative Assembly Furniture

I wanted to explain more fully to you the reason for this decision.

It is felt that in this instance, the application of the additional 5% preference would not be within the intent of this provision of the Business Incentive Policy.

The Business Incentive Policy is not intended to be a Protectionist Policy or one which discourages or limits fair and open competition. It simply recognizes that northern based business incurs higher operating costs to live and operate in the north. The 15% Northern Preference is intended to provide a "level playing field" for northern companies when competing with southern based companies that do not incur the same high overhead costs.

An additional 5% Local Preference has been provided in the policy to encourage the use of local resources in the communities in which the work occurs. This is of particular benefit to the smaller remote communities where operating costs are higher again. It should be reinforced, that this provision is to encourage the use of local resources that might not otherwise be considered by contractors and suppliers - quite often from outside of the community - because of lesser capability or higher costs.

The major portion of this tender will be for product that will be manufactured in the south and simply shipped north for installation, possibly much of it by skilled installers that will be sent up by the manufacturer.

As this is a tender of significant financial value, we anticipate that only capable and established companies will be able to respond.

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To allow the additional local preference in this instance would provide unfair advantage for some northern companies over others, which is not the intent of the Business Incentive Policy. The 15% Northern Preference will be allowed however, as those northern companies that will be bidding on this job will still have to compete against southern companies with their lower operating costs.

The Spirit and Intent provisions of the Business Incentive Policy provides authority to adjust the allowance of preference in instances where allowing such preference does not meet the intent of the policy.

Since establishing the new Business Incentive Policy on June 1, there have been few instances where either of the preferences has been waived.

While it has not been considered necessary on other tenders called for on this project, waiving preference on one other tender has happened. This will occur on contracts where the materials are unique in that they are not normally carried by the northern businesses, and/or are a very major part of the work, to the extent that to apply preference would be a distortion of the intent of the policy.

An example would be the supply of steel on a bridge project. This is not a material that northern companies will normally keep in stock. The policy however, through the purchasing power of the government, assists northern suppliers to maintain stocks of materials that will be available to the general buying public.

To further assist northern companies to bid on this project however, bonding was also waived.

In an additional effort to assist northerners, the furniture requirements for the Legislative Assembly was broken into two parts within this tender. Part A is for the supply of specialized systems furniture which is required to meet the special sizes and shapes of many of the rooms. Part B is for the other more standard furniture requirements, which has a broader range of manufactures and suppliers.

It was not possible to further separate the requirements into smaller tenders and yet to maintain control on the consistency of materials, and coordination of delivery and installation schedule for this unique furniture.

The tender allows that two separate contracts can be awarded, one for each of Part A and Part B, depending upon the responses. Part B will be the smaller and the product is more typical furniture and more readily available to most smaller furniture suppliers.

I trust that this helps to explain the rationale for this decision.

Sincerely,

Original Signed By  
DON MORIN  
MINISTER

Don Morin,  
Minister.

