

SCHEDULE 10-1
Manitoba Hydro Northern Purchasing Policy

PURPOSE AND SCOPE

This policy is to guide procurement actions aimed at promoting business opportunities for Northern Aboriginals, Northern and Manitoba businesses on northern works within the Northern Affairs Boundary. Subject to the overriding principle that the quality of goods, attainment of schedules, and achievement of acceptable costs will be the primary factors considered in all preferential purchase decisions. This policy is based on the following:

GENERAL PRINCIPLES

1. The Corporation will make a concerted effort to promote business participation by Northern Aboriginal Businesses through information, scoping initiatives, negotiation or restricted tendering, support of Aboriginal Joint Ventures, preferential business policies and Manitoba Content.
2. The Corporation will make a concerted effort to promote business participation by Northern Businesses through information, scoping initiatives, restricted tendering and Manitoba Content.
3. The Corporation will make a concerted effort to promote business participation by Manitoba Businesses outside the Northern Affairs Boundary through information and Manitoba Content.
4. The Corporation will make a concerted effort to obtain benefits for the Province from contracts awarded to out-of-province businesses through Manitoba Content provisions.
5. The Corporation will make a concerted effort on large value contracts to obtain benefits for the Province from contracts awarded to out-of-province businesses through Industrial Offset initiatives.
6. Government will be approached to fund identifiable added costs associated with securing enhanced economic benefits for the Province arising from policies related to Industrial Offsets and may be approached for Manitoba Content.
7. The Corporation's purchasing priorities will be applied in the following descending order:
 - 7.1 Northern Aboriginal Businesses
 - 7.2 Northern Businesses
 - 7.3 Manitoba Businesses
 - 7.4 Canadian Businesses

7.5 All Others

Definitions

1. The term Northern Aboriginal shall mean a Status Indian, Metis, Non-status Indian or Inuit who has resided north of the Northern Affairs Boundary for a cumulative period of 5 years or more.
2. A “Northern Aboriginal Business” (including Aboriginal Joint Venture) for purposes of this policy is a Manitoba Business:
 - a) that is at least 50% owned by an Aboriginal resident(s) or organization(s) and,
 - b) that is based in or whose Aboriginal owner has resided within the Northern Affairs Boundary for a cumulative period of 5 years or more.
3. A “Northern Business” is a Manitoba Business that is located within the Northern Affairs Boundary.
4. A “Manitoba Business” is a business which is registered to do business in the Province of Manitoba, and the firm, or its principals, maintains their facilities, equipment and staff in Manitoba on a continuous basis.
5. “Scoping Initiative” is the breaking up of a normal contract package into smaller work packages to suit the capability of businesses targeted to participate in the opportunity. Scoping may result in incremental costs to the Corporation, (i.e. internal administrative costs or additional mobilization/demobilization costs, etc.) The scoping process will usually result in a higher estimate (adjusted estimate) to complete the “normal contract package”. In making contract awards under the Northern Purchasing Guidelines, the aggregate additional cost of all individual work packages arising from negotiation and restricted tendering will be evaluated based on the “adjusted estimate”.

POLICIES

Northern Aboriginal Business

- 1.0 Contracts will be scoped where feasible to promote business participation by Northern Aboriginal Businesses, provided the additional costs in so doing are within guidelines.
- 1.1 For each project, contract opportunities will be identified for Northern Aboriginal Businesses, provided there is no adverse effect on project schedules or the quality of the delivered product.

1.2 All contracts with Northern Aboriginal Businesses (including Aboriginal Joint Ventures) will contain contract terms which provide for substantial Aboriginal participation including employment and training.

1.3 Where contract opportunities have been identified for Northern Aboriginal Businesses (including Aboriginal Joint Ventures) as appropriate, contracts will be either:

- Negotiated with Northern Aboriginal Communities located in the vicinity of the project, in order to promote local Northern Aboriginal Business.

OR

- Negotiated or subject to restricted tendering to Northern Aboriginal Businesses, located in the vicinity of the project.

OR

- Negotiated or subject to restricted tendering to other Northern Aboriginal Businesses.

Contract awards may be made provided that costs are within guidelines and there is no adverse effect on project schedules or quality of the delivered goods or services.

1.4 The following additional measures will be implemented to promote Northern Aboriginal Businesses participation:

1.4.1 Provide information to Northern Aboriginal organizations and businesses on upcoming contracts and work packages scheduled for their vicinity.

1.4.2 Conduct familiarization visits to Northern Communities to assess the capabilities of Northern Aboriginal businesses.

1.4.3 Offer support to Northern Aboriginal Businesses as required to assist in the understanding of the technical requirements of contracts.

1.4.4 On negotiated contracts, encourage Joint Venture formation of Northern Aboriginal Businesses with qualified non-Aboriginal Businesses, (preferably Manitoba Businesses) when the business opportunity exceeds the Aboriginal Business's capability.

1.4.5 Bid and/or performance bonding may be waived to allow Northern Aboriginal Businesses access to contract opportunities.

- 1.4.6 Cooperate with Government agencies to coordinate capital projects in order to promote longer term viability for Northern Aboriginal Businesses.
- 1.5 Manitoba Content and Industrial Offset requirements will be administered in accordance with policy outlined in Sections 4, 5 and 6.

Northern Manitoba Business

- 2.0 Information, to Northern Manitoba Businesses, on upcoming contracts and work packages may be provided to allow for preparation time.
- 2.1 Contracts will be scoped where feasible to promote business opportunities for Northern Businesses, provided additional costs in so doing are within guidelines and there is no adverse effect on project schedules or the quality of the goods or services provided.
- 2.2 Tendering methods will encourage Northern Manitoba Business participation through Manitoba Content and Industrial Offset requirements in accordance with policy outlined in Sections 4, 5 and 6.
- 2.3 Tender calls may be restricted to Northern Manitoba businesses, where such businesses are known to be capable of performing contract services at competitive rates.

Manitoba Business

- 3.0 Information to Manitoba Businesses on upcoming contracts and work packages may be provided to allow for preparation time.
- 3.1 Contracts will be scoped where feasible to promote business participation by Manitoba businesses, provided additional costs in so doing are within guidelines and there is no adverse effect on project schedules or the quality of the goods or services provided.
- 3.2 Tendering methods will encourage Manitoba Businesses participation through Manitoba Content and Industrial Offset requirements in accordance with policy outlined in Sections 4, 5 and 6.

Manitoba Content

- 4.0 Open tender documents will include Manitoba Content objectives and requirements as follows:

- 4.0.1 In order to ensure tenderers search out Manitoba sources, the tendering documents will indicate that Manitoba Content will be considered in the evaluation of tenders.
- 4.02 The Corporation will advise tenderers that in the evaluation of content, priority will be given to Northern Aboriginal Business involvement, followed by Northern Business involvement, Manitoba Business involvement and finally Canadian Business involvement.
- 4.1 Contracts may be awarded, to other than the low tenderer, where there is a higher Manitoba Content providing the additional costs to Manitoba Hydro or the Province are within guidelines.
- 4.2 The tenderer will be required to indicate the following:
 - 4.2.1 All phases of the work that will be sub-contracted along with the names and location of the proposed sub-contractors.
 - 4.2.2 Major materials/equipment that will be purchased along with the names and location of proposed suppliers/manufacturers.
 - 4.2.3 The additional cost of using Northern Aboriginal, Northern Manitoba or Manitoba Businesses acceptable to the tenderer, who have submitted prices to the tenderer for performing a portion of the work, but were not selected by the tenderer because of a higher price.
- 4.3 The Corporation can exercise an option of awarding a contract on the basis of the base price with selected items from the alternative Manitoba sources, as set out in the tenderer's list, and require the contractor to utilize the alternate Manitoba source at the additional cost indicated in the tender.
- 4.4 In addition, tenderers will be required to set out in their tender all aspects of the work which are to be done or supplied by Northern Aboriginal, Northern or Manitoba sources as well as purchasing policies and objectives the tenderer will utilize during execution of the contract.

Industrial Offsets

- 5.0 Industrial Offsets are meant to compensate for the loss of Manitoba labour and economic benefits which accrue to out-of-province economies. An invitation to provide Industrial Offsets normally will be included in tender calls for large dollar value work packages where only out-of-province firms are likely to tender. In these situations, all invitations to tender will include a clause indicating that alternatives which enhance the economic well-being of the province will be considered.

- 5.1 Tender calls with Industrial Offsets will encourage the provision of offset packages in the bid. Bidders choosing to include an offset package, but not wishing to incorporate it in their base bid, would be allowed to provide an alternate bid which includes an offset package and its associated costs. Bids without offsets will be accepted.
- 5.2 The Corporation will assess the benefits of Industrial Offsets in terms of value added contributions to the Provincial economy.
- 5.3 Contracts may be awarded, to other than low tenderer, where the benefits to the Provincial economy equal or exceed the identified additional costs.
- 5.4 Industrial Offsets where appropriate, will be embodied in a separate agreement having its own performance bond or guarantee. The parties to the agreement will be the contractor, Province of Manitoba and/or where appropriate Manitoba Hydro.
- 5.5 Manitoba Hydro will maintain control of the evaluation and awarding of contracts which have an associated offset package and be involved where appropriate in the administration/monitoring of the Industrial Offset agreement. Compliance procedures and penalties for failure to comply will be outlined in the tender documents and any deviations will require prior approval.

Government Funding

- 6.0 Identifiable added costs for Manitoba Content which are in excess of the low tender for the work, may be forwarded to the Provincial Government for funding.
- 6.1 Identifiable added costs for Industrial Offsets which are in excess of the low tender for the work, will be forwarded to the Provincial Government for funding.