

PROVINCE OF BRITISH COLUMBIA

Ninth Annual Report of the
Purchasing Commission

January 1st, 1951, to December 31st, 1951



VICTORIA, B.C.

Printed by DON McDIARMID, Printer to the Queen's Most Excellent Majesty
1952

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Printed by the Government of British Columbia, Victoria, B.C.
1955

VICTORIA, B.C., January 31st, 1952.

To His Honour CLARENCE WALLACE, C.B.E.,
Lieutenant-Governor of the Province of British Columbia.

MAY IT PLEASE YOUR HONOUR:

Herewith I beg respectfully to submit the Annual Report of the Purchasing Commission of the Department of Finance for the period January 1st, 1951, to December 31st, 1951.

B. I. JOHNSON,
Minister of Finance.

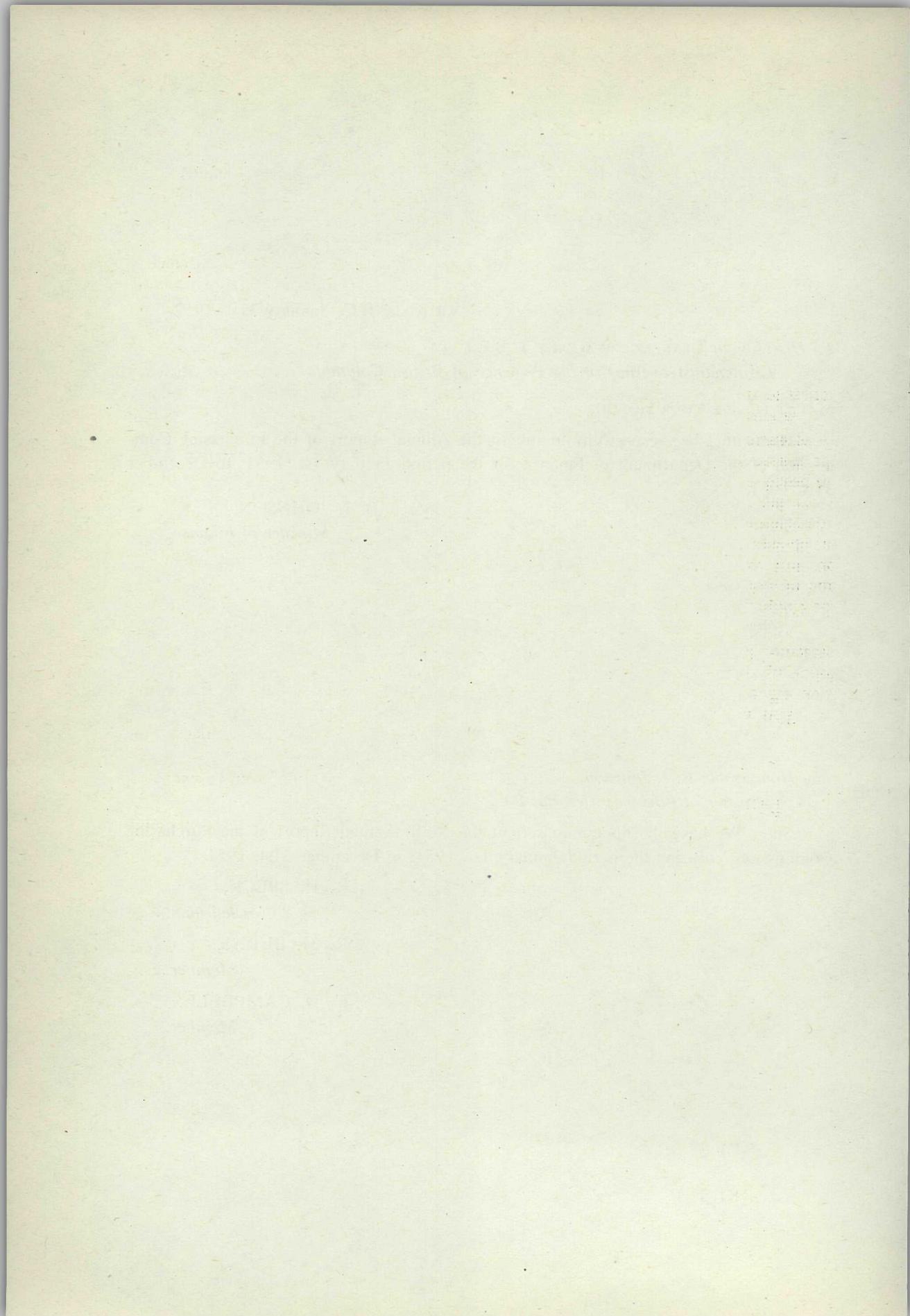
The Honourable B. I. Johnson,
Minister of Finance, Victoria, B.C.

SIR,—We have the honour to submit the Ninth Annual Report of the Purchasing Commission, covering the period January 1st, 1951, to December 31st, 1951.

R. H. SPECK,
Chairman.

R. M. BURNS,
Member.

C. D. CAMPBELL,
Member.



Ninth Annual Report of the Purchasing Commission

For the Year Ended December 31st, 1951

This is the second Annual Report presented by the present Commission since it took office on April 1st, 1950. The past year has been a period of reorganization, following on the recommendations made by the investigators as outlined in the Report presented last year.

A great deal has been accomplished, and we feel that a study of the activities of the Commission shows that there have been many tangible results in increased efficiency and in monetary savings, though there still remains much to be done. As was pointed out last year, the Commission felt, on presentation of the investigators' report, that insufficient weight had been given to the difficulties of purchasing for a widespread organization of very diverse functions, such as in the Provincial Government. These views have been substantiated by our experiences in the past year, for certain of the proposed alterations in procedure have been of necessity modified or postponed for the reason that they could not be adapted to the requirements of other branches of Government. On the whole, however, most of the proposals have been put into effect.

A study of the recommendations as listed in the last Report indicated the following action to date as to implementation:—

- (1) That the Commission assume full control of all Government purchasing as soon as properly organized, including that presently carried out more or less independently by the King's Printer, Text-book Branch, Provincial Library, and Public Library Commission.

It has not been considered desirable yet to assume the purchasing directly for these special branches, but the Commission is exercising more supervisory control and has confined such internal purchasing to the limits of the special functions of the branches concerned.

- (2) That the regular meetings of the Commission be held at least weekly.
Fully implemented.
- (3) That greater attention be given to encouraging planning and co-ordination of requirements in the departments.
This receives constant attention.
- (4) That, where possible, all purchase orders be pre-priced, and that broadened purchasing activities be undertaken in Vancouver where a majority of the suppliers are located.
Implemented as to pre-pricing wherever possible. Vancouver purchasing has been undertaken as broadly as possible wherever suitable and within the limits of administrative control.
- (5) That greater attention be given to specifications and standards.
This is being given constant attention, although it is a complex problem that will take some considerable time to solve satisfactorily.
- (6) That the Purchasing Commission assume responsibility for shipping routes and shipping charges.
Limited action only to date, due to lack of specialized staff.
- (7) That unit price records be kept.
Fully implemented.
- (8) That stricter control of "emergency" purchasing be exercised.
Fully implemented.

- (9) That purchasing procedures be simplified, and that the Purchasing Commission undertake the preparation of all vouchers in payment of invoices.
Implemented except for Departments of Public Works, Health and Welfare, and Lands and Forests.
- (10) That statistical reporting be simplified.
Fully implemented.
- (11) That Langford Warehouse be used as a "scarce supply" depot and for disposal of surplus material, but not as a general warehouse.
Fully implemented.
- (12) That greater control be exercised over departmental stores by the Commission.
This is under active study at the present time.
- (13) That simplification of methods in inventory records be considered in future cases.
Action is being taken along the lines recommended.
- (14) That the structural organization of the Commission be reconstructed and clarified.
Fully implemented.
- (15) That the Chairman assume full administrative responsibility.
Fully implemented.
- (16) That careful attention be given to staff selection and training.
Fully implemented.

Several of the recommendations require further comment. That concerning specifications and standards (5), has been the subject of much thought and active investigation both by the members of the Commission and the Purchasing and Stores Co-ordinator. The matter is considerably simpler on paper than in actual practice, as we have found that not only are we faced with a lack of standards in very many products but we are also up against long-standing prejudices on the part of some operating officials as to products of particular manufacturers. Due to these difficulties, in many cases it is practically impossible for the buyer on the basis of the requisition submitted to issue a purchase order or request for quotes properly framed as to specification and standards. Further, while we endeavour to use Dominion Government specifications wherever possible, we find that these often are special orders which cannot be duplicated in the quantities we require. This is a matter for education and gradual development, but we have every hope of consistent advance along the desired lines.

As to assuming all responsibility for vouchering (9), it had been intended originally that all departments would be taken over by April 1st, 1952; however, it was found that internal conditions in Lands and Forests, largely occasioned by the extreme pressure of an unusually heavy fire season, have forced postponement of the assumption of vouchering there for about four months, and that the internal accounting organization in Public Works and Health and Welfare makes no change desirable in those departments at the present time.

It was originally intended to reduce the function of Langford Warehouse very considerably (11), however, increasing scarcity of supplies, particularly in the metals and certain chemicals, has indicated the wisdom of continuing its function on a substantial scale. No longer are items purchased where they can be shipped readily, direct to the user from the wholesaler or manufacturer, but considerable savings are still being effected by judicious bulk buying. The Warehouse stocks proved invaluable, especially in the fire season in outfitting crews with the least possible delay.

The control of stores and inventories in departments (12 and 13) has been receiving much attention, and while considerable progress had been made in standardization of methods, some departments had very sketchy ideas on their inventories and

the control of them and as a result we have had to start from the beginning, not only in requiring that inventories be compiled but that proper systems of control be instituted. This is a field in which much remains to be done and in which the co-operation of the Comptroller-General will be required.

The year 1951 saw the supply situation ease in many lines without, however, concurrent reductions in prices. However, in many of the products in which we are vitally interested, such as steel and copper, the situation has become progressively worse from month to month. Substitution of other materials has been instituted where possible, but we anticipate continued difficulties along these lines in the year to come as defence demands for metals and machinery become increasingly urgent. We have been forced, in a few cases, to use forward orders on structural steel material due to our inability to assure ourselves of supplies when required. This method had, however, been held to an absolute minimum.

Automobiles and trucks, of which we are large buyers, having purchased 321 new units during the year, should continue to be available, although further price advances appear indicated. In this connection, we put forward as our considered opinion that our requirements here could be substantially reduced if some effective form of central control was instituted.

Food prices have continued a gradual upward movement in the past year, availability being about the same, that is entirely adequate at a price. Wool prices soared during the year and a subsequent levelling-off has not yet been felt. Pharmaceuticals were steady and in certain special lines substantial price reductions were recorded.

The rapid expansion in many of the branches of the Government service resulted in fairly heavy buying in the line of office furniture and equipment. Many of the offices, especially in the outlying districts, have been handicapped by out-moded equipment. This has been gradually replaced over the past three years until the situation is largely satisfactory at this time. The opening of the Douglas Building resulted in heavy demands from departments for new equipment, and while these were controlled as far as efficiency indicated, many replacements and additions were required as offices took up new and more adequate quarters. The situation now is that most of the heavy capital charges have been made as far as Government offices are concerned, but with the continuing expansion in the institutional and hospital field we look for continued heavy demand in equipment and furnishings for several years to come. Every encouragement has been given provincial manufacturers to compete in this field, especially in wooden office furniture. Very excellent results have been shown and as a result most of our standard office furniture is now of British Columbia manufacture.

In all lines, effort has been made to assist British Columbia manufacturers and distributors in so far as is possible within reasonable limits of price differentials.

The Commission has continued its efforts to provide all departments of the Government with an efficient buying service at a minimum cost. Except for a few hardy individualists who either are unable to forecast their requirements or are of the opinion that purchasing offices are superfluous, we have had most helpful co-operation from the operating departments. We believe they realize that through modernized methods we are conserving their appropriations, permitting them to carry on activities which would otherwise be curtailed by lack of funds. It is not possible to illustrate or produce mathematical proof but we are quite convinced that our policy of requiring competitive bidding wherever possible has resulted in a saving of several hundred thousand dollars in prices paid over the year.

The Commission feels that it has made some progress in the past year due to a planned programme faithfully executed by a competent and faithful staff with the co-operation of the departments and of the commercial concerns with whom we deal. Much remains to be done in the field, particularly of inventory control and standards and specifications, but at least a start has been made.

As was pointed out last year, the "Purchasing Commission Act" places very heavy responsibilities on the Commission, which in certain cases have not been assumed to the extent we would desire. It is our hope that in the next report we will be in a position to suggest possible changes in responsibilities which we think will tie in better with the financial control vested in the Department of Finance under other statutes.

STATISTICAL RECORDS

Statistical records were maintained under the following headings, which, for information, are recited herewith:—

- A. *Competitive*.—On contract, quotation (written or verbal), or prices awarded on, and governed by, previous quotation.
- B. *Restrictive*.—Specified commodities sold exclusively by a particular manufacturer, wholesaler, jobber, or agent.
- C. *Controlled*.—Includes set prices where no advantage accrues in calling for competitive tenders on commodities sold at controlled prices.
- D. *Non-competitive*.—Requisitions issued without stated prices and controlled by checking or test-checking prices when invoices are submitted.
- E. *Retail*.—Includes semi-retail, or where prices are greater than might be secured from manufacturer or wholesale (local purchases).
- F. *Emergency*.—(1) Retail. (2) Wholesale.

Comparative figures for the fiscal years 1947–48, 1948–49, 1949–50, and 1950–51 are set forth hereunder:—

	1947-48	1948-49	1949-50	1950-51
A. Competitive	\$1,797,963	\$2,390,495	\$2,559,522	\$3,864,870
B. Restrictive	3,171,273	4,539,397	4,076,441	3,347,926
C. Controlled	1,017,471	1,976,648	879,601	931,224
D. Non-competitive	2,046,113	3,400,000	4,025,594	2,770,719
E. Retail	151,388	153,048	233,043	178,460
F. Emergency—				
(1) Retail	301,377	310,000	274,451	225,886
(2) Wholesale	472,359	620,584	788,211	694,309
War Assets Corporation	98,693	23,375		
Totals	\$9,056,637	\$13,413,547	\$12,836,863	\$12,013,394
Number of purchase orders issued	30,390	33,315	37,306	37,221

It will be noted from these records that the Commission's policy of insisting on competitive prices wherever possible has resulted in "Competitive" orders exceeding "Restrictive" for the first time. "Non-competitive" orders have been very substantially reduced.

From April 1st, 1951, a new classification system was adopted, as follows:—

- A. *Competitive*.—Purchases from manufacturers and wholesalers which are placed on a basis of competitive quotes on prices, including those purchases made on the basis of information obtained from unit price cards.
- B. *Restricted*.—Purchases from manufacturers or wholesalers for which unit prices are fixed (gasoline, milk, etc.), or for some special condition of source of supply the buyer is limited to one supplier.

- C. *Retail*.—All purchases from retail establishments including retail emergency purchases.
- D. *Wholesale Emergency*.—Orders placed with a wholesaler or manufacturer by means of emergency purchase order.

April–December, 1951

A. Competitive	\$4,523,426
B. Restricted	2,059,073
C. Retail	231,304
D. Wholesale Emergency	285,936
	<hr/>
	\$7,099,739*
	<hr/>
Purchase Orders issued	32,551

Figures for the first nine months show continued improvement along the desired lines and we find that 64 per cent of the orders are now competitive as against less than 20 per cent in each of the three years between 1947 and 1949. This, of course, all results in increased work in processing requisitions, but there would appear to be no doubt whatsoever that the trend is highly desirable in every way.

In a further attempt to reduce unnecessary processing, the Commission authorized departments to buy on their own without purchase order in amounts up to \$10 instead of \$5 as formerly. It is felt that any saving that could be made through central buying on orders of this size would be more than offset by the costs involved in handling the orders.

VICTORIA, B.C.

Printed by DON MCDIARMID, Printer to the Queen's Most Excellent Majesty
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REPORT OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDING 1911

The Board of Directors has the honor to acknowledge the interest and cooperation of the stockholders in the management of the company during the year just closed.

The financial statement for the year ending December 31, 1911, is herewith submitted, showing a net profit of \$1,234,567.89, as compared with a net profit of \$1,123,456.78 for the year ending December 31, 1910.

The Board of Directors has the honor to acknowledge the interest and cooperation of the stockholders in the management of the company during the year just closed.

The financial statement for the year ending December 31, 1911, is herewith submitted, showing a net profit of \$1,234,567.89, as compared with a net profit of \$1,123,456.78 for the year ending December 31, 1910.

