

Enhance Town of Drumheller Purchasing Policy with Shop Local Component

ISSUE:

The Town of Drumheller Council Policy #C-03-09 (Purchasing) currently does not allow for any local pricing differential, neither a percentage or dollar value. Notwithstanding the purchasing thresholds under Trade, Investment and Labour Mobility Agreement (TILMA), New West Partnership Trade Agreement (NWPTA) and Agreement on Internal Trade (AIT) which bind the Town of Drumheller, purchases from local suppliers need to be considered when local suppliers of products or services are available. Furthermore, all purchases made by the Town of Drumheller need to follow a clear, and concise tendering process so that local suppliers are aware of these business opportunities and can effectively bid on them.

BACKGROUND:

The local economic multiplier effect, or the ability of spending to increase wealth and jobs in local communities, needs to be given greater consideration by the Town of Drumheller. There are three elements of the local multiplier – the direct, indirect and induced impacts.¹ Direct impact is spending by a business in the local economy to operate the business. The indirect impact is when dollars local businesses spend at other businesses recirculates. The induced impact is the additional consumer spending that occurs as employees, business owners and others spend their income in the local community. When spending occurs outside the local economy, it effectively removes this cash flow from the community.

A 2013 Canadian study shows that a locally owned business can re-circulate one third of its revenue in a community compared to less than 20% by a comparable multinational firm.² This example show that the local multiplier is greater when purchases are made at an independent local business rather than a retail chain.³

By incorporating a local pricing differential, businesses in the community have the potential to benefit by municipal purchases. Buying locally is a direct investment in community

¹ "The Multiplier Effect of Local Independent Businesses", *American Independent Business Alliance*, n.p., n.d., Web. 16 February 2017 <amiba.net/resources/multiplier-effect>

² Pringle, Anthony. "The Power of Purchasing: The Economic Impacts of Local Procurement". Columbia Institute, LOCO BC and ISIS Research Centre (May 2013). Page 5. The results of this study show that the locally owned B.C. office supply company, Mills Basics, recirculates 33.1% of its revenue directly to residents and businesses in B.C., compared to between 16.6% and 18.7% for their multinational counterparts (OfficeMax and Staples).

³ "The Multiplier Effect of Local Independent Businesses", *American Independent Business Alliance*, n.p., n.d., Web. 16 February 2017 <amiba.net/resources/multiplier-effect>

development and encourages local business improvement and growth, which in turn helps to provide a more stable community. Local spending also creates jobs and opportunities.

In an effort to maintain transparency, an open process for tendering purchases of goods and services that fall below the TILMA, NWPTA and AIT thresholds is crucial. Publicly posting tenders will allow for vendors, local and otherwise, to be aware of opportunities that come available through the Town of Drumheller.

RECOMMENDATION:

The Drumheller and District Chamber of Commerce recommends that the Town of Drumheller:

1. Integrate a pre-tax differential for local suppliers of goods and services or construction, subject to compliance with TILMA, NWPTA and AIT.
 - a. A recommended guideline should be taken from the Town of Stettler policy.⁴
2. Continue to adhere to TILMA, NWPTA, and AIT by using the Alberta Purchasing Connection bid system when required.
3. Post bid opportunities for any purchases of goods or services between \$5,000 and \$50,000 on the Town of Drumheller website.
4. Purchases of goods or services up to \$5,000 should be acquired locally, when the same product or service is readily available.

⁴ "Purchasing of Goods and Services", *Town of Stettler*, Town of Stettler, 2017, Web. 8 March 2017 <stettler.net/public/data/documents/vii-4.pdf) Policy Statement 5. Subject to compliance with NWPTA and AIT local suppliers are allowed a pre-tax price differential as follows: a. Amounts from \$0-\$15,000 a pre-tax price differential of 10%, b. Purchases of goods between \$15,001-\$75,000 and construction contracts valued up to \$200,000 a pre-tax price differential of \$1,500.