

## **Housing Services Corporation Mandatory Program Participation**

### **Procurement of Insurance and Natural Gas**

#### **Issue**

The Housing Services Corporation (HSC) is a non-profit organization that delivers province wide programs for the benefit of the Ontario Affordable Housing Sector. As such HSC is mandated to purchase insurance and bulk natural gas for its members. Further housing service providers are obligated by statute to accept the prices obtained by HSC.

The HSC argues that because of their competitive bidding processes, scope of Provincial operations and limited experience of housing providers they are better positioned to provide cost effective results for their members.

If this perception is correct their pricing should be better than what can be obtained by any County or social housing services provider.

The Eastern Ontario Wardens Caucus believes that since its members are responsible not only for social housing but also many other facilities their portfolios are such that we are in a position to competitively challenge the costs which we incur for insurance and natural gas. If the HSC is so confident that their pricing is better why are they unwilling to let us test the market? True competitiveness and cost effectiveness is demonstrated through public procurement policies and processes.

#### **Background**

##### **Insurance**

The Social Housing Reform Act, 2000 (SHRA) requires that prescribed housing providers and local housing corporations transferred by the province participate in insurance programs which SHSC managed. In 2003 the SHSC board prescribed that housing providers could purchase insurance coverage outside the SHSC group insurance program provided the coverage was equivalent or better, the premium was lower and the SHSC program management fee was paid. This process was confirmed annually until 2011. In June 2011 the SHSC board met and withdrew the option for providers to obtain their own insurance coverage. Some of the EOWC members had participated annually in obtaining third party bids and actually placed their insurance elsewhere. In other words there are organizations that can obtain lower premiums than SHSC can provide. EOWC responded to SHSC by requesting a reconsideration of the sole sourcing requirements. Voluntary participation is no longer permitted commencing in 2012.

We wish to acknowledge that the newly minted Housing Services Corporation (HSC) is presently engaged in insurance program consultation across the province. Although this consultation is assessing and evaluating what works well, what could be improved, identification of other services desired, consideration for segmenting the portfolio into regional or sized based components and providing consideration for one or multiple brokers, it has not addressed the notion of opting out of the program. The EOWC believes this needs to be part of the consultation process.

## **Natural Gas**

The purchase of bulk natural gas provides significant cost savings to all participants as commodity prices fluctuate. Once again housing providers are obligated to purchase natural gas requirements through the HSC natural gas purchasing program. The HSC argues that they deliver the lowest possible price at the greatest cost stability. If any surpluses are generated through the program the participants receive rebates.

If this program is as effective as it has been suggested once again why can the EOWC members not choose to participate or alternatively choose other sources? As the province is aware AMO through its LAS subsidiary also purchases bulk natural gas. Once again our members not only buy natural gas for social housing stock but also for all of our other municipal buildings. LAS as an AMO organization purchases future natural gas contracts for any municipal organizations which wishes to participate from across the province.

EOWC has done a direct comparison for the 2009 – 2012 time period and can demonstrate that the natural gas rates per cubic meter offered by LAS are considerably lower, up to 21%, than those offered by HSC. Perhaps these two purchasing functions (HSC and LAS) should be merged so we can all receive greater cost savings by increasing our volume purchases.

## **Action Requested**

We all know that the three levels of government need to be more cost efficient and look for savings wherever they can be found in order to minimize the tax impact on our respective constituencies. Further, the EOWC recognizes that the federal and provincial governments are no longer in the financial position to support municipalities in the same way they have historically. We must be able to help ourselves more. It is in this regard that EOWC believes that the provincial government can assist us without a financial impact through legislative and regulatory change to make us more efficient.

To achieve this objective the Eastern Ontario Wardens Caucus (EOWC) requests that the provincial government amends the Housing Services Corporation Act to provide more flexibility to municipalities in allowing us to tender for purchased services such as insurance and natural gas if we so choose and/or participate in the HSC programs. Secondly consideration should be given to transferring the bulk natural gas purchase function from HSC to LAS in order to expand bulk purchase quantities. Finally HSC should be encourage to expand their consultation process to include a discussion about voluntary program participation.

The EOWC appreciates your consideration of this request.