REAL PROPERTY-1, PROPERTY MANAGEMENT AND PROJECT DELIVERY SERVICES (RP-1)
EP008-112560/C

REQUEST FOR INFORMATION

FEBRUARY 20, 2013
INDUSTRY CONSULTATION
SUMMARY REPORT

RP-1 INDUSTRY CONSULTATION SUMMARY REPORT – FEBRUARY 20, 2013

The purpose of the February 20, 2013 Industry Consultation Session was to obtain specific feedback on:

1. Statement of work
    - Service Levels for Different Asset Types
    - Sustainability
    - Acceptance of Contractor Service Delivery Regime
    - Transition Requirements
    - Environmental Management System Certification
    - Harmonization of Management Systems
    - Occupational Health and Safety (OHS)
2. Basis of payment
    - Delineation of Costs
    - Inventory Adjustment Mechanism
    - Lease Administration Fee
    - Control of Resource Costs
3. Performance Measurement
    - Generation of Performance Indicators
    - Determination of Tenant/Occupant Satisfaction
    - Two-tier Performance Fee
4. IM/IT/IR
    - Improving the Management of Information

INDUSTRY PARTICIPANTS: A total of 15 representatives from seven companies participated in the industry consultation session.

A list of the companies and their representatives who participated can be found in Appendix A - List of Participating Companies.

INDUSTRY FEEDBACK:

The detailed questions and comments posed by industry representatives together with the responses provided by PWGSC are included in Annex B – Industry Consultation Detailed Feedback, Questions and Answers.

Appendix A - List of Participating Companies

The following companies were represented at the industry consultation session on February 20, 2013. The companies are listed in alphabetical order and the company representatives are also identified.

COMPANY	**REPRESENTATIVES**
Brookfield Johnson Control (BJC)	Mike Greidanus, Vice-President, Business Development Claude Bujold, Vice-President, Operations Rebecca Brain, Group Controller
CB Richard Ellis (CBRE)	Mark Sullivan, Managing Director James Trimm, Managing Director Bob McLeod, Managing Director
COFELY Services Inc.	Ralph Karawani, Accounts Executive Gordon Bourque, Accounts Executive
Dessau Inc.	François M. Dionne, Gestionnaire d’offres Patrice Laporte, Vice-président opération et développement
ETDE Facility Management Canada	Alan Drummond, Business Development Director
Edon Management	Ed Lazdowski, President
SNC-Lavalin Operations and Maintenance Inc.	John Brophy, General Manager - PWGSC Account Justin Sharpe, SVP Integrated Real Estate Solutions Lora Ferrarotto, Regional Director

Appendix B – Industry Consultation Detailed Feedback, Questions and Answers

Questions and suggestions raised by industry representatives at the Industry Consultation Sessions centered on the following topics based on the questions developed by Public Works and Government Services Canada (PWGSC):

1. Statement of work
    - Service Levels for Different Asset Types
    - Sustainability
    - Acceptance of Contractor Service Delivery Regime
    - Transition Requirements
    - Environmental Management System Certification
    - Harmonization of Management Systems
    - Occupational Health and Safety (OHS)
2. Basis of payment
    - Delineation of Costs
    - Inventory Adjustment Mechanism
    - Lease Administration Fee
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4. IM/IT/IR
    - Improving the Management of Information

For each topic and questions, background context was shared with participants. In addition, during the session, PWGSC clarified a number of elements, in order to support the dialogue.

The questions and suggestions that follow have been edited to avoid disclosing the originator and they are organized under the above topics. Please note that PWGSC is responsible only for the content of the answer that is provided. Throughout this Appendix, the term “prime contractor” refers to the prime contractor(s) for future RP-1 contracts or when referring to the existing Alternative Form of Delivery (AFD) contracts.

FEEDBACK / QUESTIONS	**ANSWERS**
Statement of Work	
Service Levels for Different Asset Types	
Q-1. Could you suggest suitable approaches for establishing property management service levels for different types of assets?	A number of factors need to be considered: asset type and criticality, geographic dispersion (e.g. remote locations), and end-user needs.

	Tiered service levels should be considered based on the strategic direction of the assets, including the notion of considering asset classes across portfolios. It was suggested to refer to pre-established industry standards regarding service levels. One firm suggested separate procurement initiatives for different classes of assets (such as, labs and heating plants) that could include fixed costing elements and a fixed KPI regime. Another firm suggested a risk transfer based approach, which would set availability targets for different assets. It was noted that transparency is key to success during the term of the contract.
Sustainability	
Q-2. Could you suggest ways to help PWGSC ensure its requirements and associated performance measures would foster improved sustainability of its buildings?	To influence service levels, additional weight should be placed on energy management in the RFP evaluation. It was suggested to consider standards such as LEED: Existing Buildings Operations and Maintenance (EB:O&M) and Energy-Star. There are costs associated to certification; options include performing according to a standard, without seeking the actual certification; or alternately, third party certification provides validation. A case-based approach was also suggested to foster improved sustainability. It was also suggested that economically viable initiative-driven approaches, involving ongoing communication, are more effective at meeting program needs. It was noted that the activities of

	occupants have an impact on energy consumption and the contractor's ability to influence reductions. In order for such initiatives to be successful, buy-in, influence and collaboration is required at senior management levels of the tenant government department. It was agreed that this can be challenging. This could possibly be achieved through targets identified in occupancy instruments. Industry also expressed the desire to collaborate with PWGSC on sustainability approaches at some point during the process. It was noted that the approach PWGSC implements should have the flexibility to change over time. Suggestions were made that incentives should be offered to service providers when they enable reductions in energy consumptions (through a shared savings model). A model was introduced where the contractors could make investments provided the payback is attained within the life of the contract; this approach is used in the UK.
Acceptance of Contractor Service Delivery Regime	
Q-3. Could you suggest ways to ensure that PWGSC requirements for acceptance of the contractor's service delivery regime would be effective?	Everyone was supportive of this approach. The collaborative review should be used at the outset of the contract as well as throughout the term of the contract. A change management mechanism should be established. One firm suggested that referring to a neutral third party could be helpful in resolving differing interpretations. Different views were expressed regarding the extent of the review and the timing (e.g. as part of the RFP, pre-contract award, etc.), with a preference for the review to take place earlier in

	the process. There was a concern that the pricing mechanism should be flexible in the event that the requirements are more stringent than presented in the RFP. A suggestion was made that some deliverables for phases 2 and 3 could be deferred until after operational start date. Additionally, it was suggested to use a “best and final offer” approach to help the bidder understand and respond to PWGSC’s needs. Another suggestion was made that PWGSC share current standard operating procedures to the extent possible. A suggestion was made to contact the Vancouver PWGSC team for their recent experience with P3 approaches where this collaborative process is used.
Transition Requirements	
Q-4. Could you suggest improvements in the sequencing of transition activities outlined in the draft SOW?	It was suggested that phasing in the contract awards could help with the transition. The phased approach should allow sufficient time for due diligence and reflect each portfolio’s ease of transition as determined by the availability of data. One firm recommended these principles in sequencing a transition; 1- do no harm, 2- mitigate risks, 3- stabilize operations and 4- seek improvement. Establishing the governance structure early on will be beneficial as well; a strong team of senior members from each organization needs to be engaged at the outset. In order to ease the transition, providing good quality and complete

	information as early as possible will also be essential.
Q-5. What do you consider should be the minimum and maximum duration required for the transition period from contract award to operational start date?	Different views were expressed on this question. One firm suggested that, in order to maintain focus, a transition period of 3 to 4 months after the collaborative review period should be sufficient. Another firm indicated that 4 to 6 months should be considered to provide additional flexibility to address unforeseen questions. Another firm suggested that one year might be required. All agreed that this would depend on the composition of the portfolios. Another factor is the quality of the data available for the assets being put into the contract – the less data available, the longer the transition period required. In addition, more remote assets may take longer to transition because of challenges of getting staff in place, etc. It was suggested that PWGSC should give consideration to the temporary suspension of KPIs in certain circumstances.
Environmental Management System Certification	
Q-6. Do you foresee any issues if PWGSC were to require certification of contractor environmental management systems to ISO: 14001? Q-7. Could you suggest improvements that would help PWGSC ensure that its Environmental Management System requirements are practical and would provide best value, including potential measures other than requiring certification of such systems?	Most participants supported the adoption ISO 14001 certification. One firm commented that not every building may be able to achieve certification; however systems and practices in line with ISO 14001 would be in place for the entire portfolio. Other certifications such as BOMA or LEED, or other less costly options than full certification, could also be considered. ISO 14001 sets a framework which is standard in this area.
Harmonization of Management Systems	

Q-8. Do you foresee any issues if PWGSC were to require harmonization of management systems? Q-9. Could you suggest improvements that would help PWGSC ensure that management system requirements will result in best value?	PWGSC clarified that the intent was for harmonization of the response to the standards (ISO 9001 and 14001 having many common elements). In the industry, ISO 9001 is the base, upon which other standards such as ISO 14001 can be layered. Contractors agreed that ISO 14001 certification is achievable (see questions 6 and 7). If there are multiple contractors involved, a suggestion was made that PWGSC establish a joint council with representation from each contractor in order to facilitate consistency between approaches.
Occupational Health and Safety (OHS)	
Q-10. Do you foresee any issues if PWGSC were to adopt such an approach? Q-11. Could you make suggestions that would help PWGSC fulfill its commitment to OHS?	Clarity in the requirements regarding the role of the contractor and type of activities to carry out would be useful, in order to estimate the resources and costs associated to perform these functions. To this end, it was recommended that a detailed chart of roles and responsibilities be identified in the solicitation phase. In general, the notion of control authority was accepted. However there was concern that if the contractor does not control security, this role could prove challenging, as these functions should be aligned. The control authority role varies across buildings, and is dependent on the risk level of each building.
Basis of Payment	
Delineation of Costs	
Q-12. Could you suggest means by which the contractor's total costs could be split between these two components in a manner that is fair and easy to administer and audit, considering,	Everyone acknowledged that there are corporate functions and building specific functions. Most agreed that the corporate function can be covered by the fee, and the building specific or

among other areas, the following: - Financial and accounting functions; - Administrative support; - Information systems and data entry; and - Procurement Functions - Inventory Adjustment Mechanism	dedicated resources/costs would be pass-through. There was a suggestion that all resources should be allowable pass-through, whether they are corporate resources or not. The need to better define the term “corporate functions” vs. “dedicated contract functions” was recommended. Industry went through the list of non-allowable expenses and recommended those that are traditionally allowable pass-through. Much of what is considered non-allowable is not considered a corporate cost by Industry. It was also noted that some items identified can be difficult to separate as allowable or non-allowable; such as, uniforms vs. protective equipment. Several Industry participants noted that the inclusion of many cost items in the Fees (Non Allowable Costs) would require proponents to bid "risk" and therefore drive prices higher. PWGSC noted that allowing the costs in question could complicate the review and audit of invoices and thereby drive costs internal to PWGSC up. Suggestions were made to consider a variable cost per head-count fee for dedicated resources, with one or two categories including office workers or tradespersons. It was suggested that PWGSC permit the scalability of the per head-count fee by correlating it with associated costs; such as, HR Support, PC Cell, Standard Tools, etc. Legislated severance liability should be considered as an allowable cost.
Inventory Adjustment Mechanism	

Q-13. Could you suggest potential adjustment mechanisms that would be appropriate for RP-1? Q-14. At what % increase or decrease in inventory volumes would you recommend as the trigger for adjustment of the fee?	Several suggestions were made that the adjustments should be based on business (dollar) volume rather than square meters. If PWGSC were to use square meters as the trigger, there were different options regarding the appropriate percentage to use: 5 % or 10 %. 5 % was considered to be an industry standard for fee adjustment. Industry indicated that when more items are included in the allowable costs, a higher percentage could be considered. It was also suggested that pricing bands could be bid, however this might be difficult to evaluate. Various scenarios regarding business volumes could also be provided for bidding, however this could make evaluation difficult as well. Industry suggested that a change management mechanism be in incorporated into the Contract to accommodate different scenarios and avoid loss. Industry cautioned not to create an expectation that business volumes could be increased or reduced if PWGSC cannot guarantee it. A suggestion was made that a separate adjustment mechanism should be considered for the latter years of the contract, where contractors do not have sufficient time to amortize their costs.
Lease Administration Fee	
Q-15. Could you comment on your experience regarding approaches to Lease Administration fees with other clients? Q-16. Could you suggest other suitable approaches to the basis of	PWGSC clarified the lease administration functions required. A suggestion was made by Industry to define the qualification requirements for Lease Administrators. In terms of the basis of payment, the

payment for Lease Administration for RP-1	resources should be allowable pass-through. During the conversation, the notion of dual agency was brought up. Dual agency refers to the contractor representing both a landlord's interests and a tenant's interest, which is perceived as a conflict. This practice is deemed acceptable in the industry; it was suggested that there are laws governing this practice and processes that can be put in place to mitigate the potential for conflict (for example, through the use of "firewalls"). PWGSC requested that Industry provide further information, in written responses to the RFI, regarding the management of dual agency in the industry. Third party agreements were discussed at the request of the audience and it was suggested that the listings be provided as part of the RFP. The basis of payment will be established independent of lease administration. It was clarified that PWGSC retains the authority of signing the leases, but the contractor is responsible for negotiation and subsequent preparation of the documents.
Control of Resource Costs	
Q-17. Could you suggest ways to improve the control of resource costs and ensure best value, including feedback on the pros and cons of different methodologies?	PWGSC clarified that the term "resources" referred to the labour component. Comments were made that the cost of administering contracts is proportional to the number of contracts/contractors in place. Industry benchmarks exist in this area and should be used as a basis of comparison. Motivating the contractors to find

	efficiencies would be valuable (using a shared savings model).
Performance Measurement	
Generation of Performance Indicators	
Q-18. Could you suggest ways to ensure the accuracy and objectivity of performance results that would withstand public scrutiny, if the contractor were responsible for producing these results?	An audit function is one of the acceptable approaches to ensure the validity of the results and transparency of the calculations. It was suggested that those performing the data calculation functions would be third parties, independent from the organization directly delivering services. It was indicated that the ability to demonstrate the trail of data/information was already in place. It was suggested that the third party audit function should be an allowable cost. The KPI approach should include considerations for incentives and innovation/initiative. Two models were suggested: a shared savings model or a bonus model. The shared savings model could be effective if targets are identified and savings are realized within the term of the contract. The rewards associated with these programs should not be linked to the attainment of KPIs.
Determination of Tenant/Occupant Satisfaction	
Q-19. Could you suggest ways to ensure the transparency of the process and independence of those responsible for determining levels of tenant/occupant satisfaction, if the contractor were responsible for conducting such surveys?	Traditionally, basic tenant satisfaction surveys following the completion of specific projects are typically self-administered by the contractors. Suggestions were made about having a third party administer the survey. Broader scale surveys for all services could be administered by a third party on PWGSC's behalf as an allowable pass-through cost.

	The same ideas as for question 18 were mentioned in terms of maintaining the independence and transparency.
Two-tier Performance Fee	
Q-20. Do you foresee any issues if PWGSC were to adopt a two-tier performance fee approach? Q-21. Could you suggest ways to improve the proposed performance fee approach?	There were concerns that the payment associated with the attainment of KPIs appears to be punitive in nature, rather than incenting excellent performance. It was suggested that PWGSC consider including incentives as part of the KPI program. Concerns were expressed about the amount of carrying costs (profits and operating expenses) that could be involved. Quarterly releases should be considered. The amount of fee at risk was considered high, and may require a higher risk margin. The suggested two-tier approach was not favoured. One suggestion was made that if PWGSC employs a two-tier approach, the fee at risk should be reduced for each tier.
IM/IT/IR	
Improving the Management of Information	Industry questioned whether the level of detail outlined in the IM/IT chapters was truly reflective of PWGSC's needs. Clarification was provided by PWGSC that the requirements identified in the IM/IT chapters are the data elements to be transmitted to PWGSC systems via an electronic transfer, and are required to enable PWGSC record keeping and holistic reporting. Questions were asked about the incremental differences between the existing AFD contracts, the RP-2 solicitation and the RP-1 requirements.

	Clarification was provided that the RP-1 IM/IT requirements are different from the others but they do evolve from the previous versions so there is some similarity between them. An example of a significant change would be that performance measurement is completed by the contractor. PWGSC also introduced an overview of the Real Property Business and Systems Transformation Project (NOVUS) currently underway. It was clarified that the eventual RP-1 service provider(s) would have to submit detailed data (such as outlined in the IM-IT chapters) onto a “landing pad” and from there RPB would use its internal systems to formulate its internal reports as needed. In this way, the impact of this initiative on RP-1 bidders is reduced. At some point, the contractor may be required to make changes to their system to align with NOVUS.
Q-22. Could you suggest ways to improve the management of information for RP-1?	See responses to question 24.
Q-23. What are your views on the best approach to transferring information on an ongoing basis and at the end of the contract?	Operational data that is not included in the scheduled IM/IT data transfers (chapters) should remain in the service provider’s system for the term of the contract. IM/IT reporting requirements should be aligned with the needs of auditors to help facilitate the audit process when required. A readiness test on an annual basis, rather than the transfer of the entire data was suggested. The protocol and content would be established at the outset of the contract. PWGSC should be involved in the

	transfer of the data between the incumbent and the next contractor, to ensure data integrity and quality.
Q-24. Could you share insights into trends related to client information access requirements?	A typical approach in the industry is for the service provider to hold the data, and to provide access to clients: read only and dashboards. Some clients also request permissions to access the raw data, which requires licenses and can be costly. Traditionally the financial information is transferred to the clients, as well as fixed asset information, energy, water and gas consumption and energy management information.
Q-25. What information would you require regarding information management and technology requirements to be able to bid effectively, assuming that fulfillment of these requirements would be included in the fixed management fee?	The more information available, the better the ability to cost it adequately in the proposal. It was offered that the opportunity for commercially confidential meetings between the contractor's IT and PWGSC's IT group would be beneficial during the solicitation period. Live demos of the underlying technology, systems and functions were proposed as part of the evaluation process. A one-day duration is recommended. Questions were raised regarding section 7.8 of the RFP and PWGSC will provide information at a later date. A suggestion was made that the IT transition costs be identified separately from other transition costs.

Round Table, Additional Information, Q&A and Feedback

PWGSC Next Steps in the Process

- PWGSC will analyze responses to the consultation session within the context of our requirements.
- The current contracts are scheduled to expire on March 31st, 2014 and the decision to exercise the remaining one year option to extend those contracts has not been taken. Once that decision has been made, an RP-1 milestone schedule will be posted on MERX.
- A reminder was provided that formal written responses to this phase of the RFI are due on March 5th, 2013 but early response are encouraged.
- There is a standing RFI on MERX. As documents are ready, PWGSC will post them. PWGSC identified that draft evaluation criteria would be included as an addendum to the RFI at a later date if time permits.
- PWGSC has employed the services of a fairness monitor, who will be involved through the entire process.
- When firms prepare their bid proposals they should be aware that PWGSC will only be evaluating information presented in the bid proposal. Firms should not assume that evaluators will understand content and should include all relevant information in their bid proposals.
- Following the solicitation and evaluation, when firms receive notice of winning or losing, PWGSC recommends that firms request a debriefing to obtain feedback on the firm's bid proposal.

Closing Comments by Firms

- All firms expressed appreciation for having the opportunity to meet face to face to discuss these issues. The openness of the dialogue was highlighted.
- All were looking forward to the milestone schedule.
- A consensus opinion was expressed that these sessions helped to improve the solicitation process and were useful to all parties.