



Summary of Feedback from the Draft National Procurement Strategy for Research and Development April 2013

*“Promoting R&D investment in Canada
through procurement.”*



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1 Introduction

Public Works and Government Services Canada (PWGSC) undertook a complete review of the procurement process for Research and Development (R& D) and developed a draft National Procurement Strategy (strategy) for R&D. The intent of the strategy is to provide a consistent national approach that will improve the efficiency and effectiveness of the procurement process for all government departments, suppliers and Canadians.

A formal consultation of the draft National Procurement Strategy was completed over a period of nine weeks, from March 2012 to June 2012. Both suppliers and federal client departments were invited to provide their feedback, comments and concerns. All comments received were considered when finalizing the strategy for R&D.

2 Purpose

This document summarizes the feedback received during the Formal Consultation process. These findings are being disseminated for information to the R&D community for their awareness and to provide the strategic direction for the Final National Procurement Strategy for R&D, outlining the direction and key areas in which PWGSC will work with stakeholders to arrive at an optimal consistent, national approach.

3 Formal Consultation

Period	March 30, 2012 through June 1, 2012. (64 days)
Government Department Respondents	There were 24 federal government department respondents representing 12 federal government departments.
Supplier Respondents	There were 333 supplier respondents. 94% of respondents identified themselves as micro, small, or medium enterprises. 6% of respondents are large enterprises covering a broad range of activities.

Organization of Respondents	<ul style="list-style-type: none"> • Academic (University – College, etc) 21 (6%) • Manufacturing 36 (11%) • Service Industry (e.g., engineering, environmental, security) 148 (45%) • Aerospace 19 (6%) • Defence 34 (10%) • Information and Communications technologies 62 (19%) • Transportation 24 (7%) • Research & Development 123 (37%) • Not-for-profit organization 11 (3%) • Independent researcher 67 (20%) • Life Sciences industry 24 (7%) • Other (please specify) 45 (14%) <p>Other:</p> <ul style="list-style-type: none"> • Pest control • Acoustics • Consulting • Social policies and international development • Non-verbal psychological testing • Agriculture • Electronic Design • Tourism • Community planning and development • Project management • Historical research • Gaming • Risk management • Public safety and security software • Custom laser etching • Moving and storage • Medical testing • Towing • Safety equipment • Oil and gas operator training • Cleaning
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4 General Overview of Formal Consultation Feedback

The formal consultation consisted of an on-line questionnaire containing 32 questions requesting both quantitative and qualitative responses from government departments and suppliers.

Overall, the majority of respondents indicated that the draft strategy contained many positive and innovative elements that will improve the procurement process and support R&D procurement.

R&D is a specialized and strategically significant commodity. Through recommendations that were included in the draft strategy, PWGSC indicated that it would develop guidance and tools, establish a Community of Practice and create an R&D Contracting Body of Knowledge. The implementation of these recommendations will serve to address the majority of feedback received, making the procurement process more efficient and effective. PWGSC will also seek to simplify and standardize the procurement process for R&D.

5 Summary of Feedback and Strategic Direction

5.1 Community of Practice

Original Recommendation

PWGSC is proposing to create a Community of Practice (CoP) to facilitate engagement with specific subject matter experts in both PWGSC and government departments. The CoP will be supplemented, where appropriate, by industry, academia, other levels of government departments and international partners.

Relevant Feedback

TOPIC	Would you be interested in participating in the Community of Practice (CoP)?	
	GOVERNMENT DEPARTMENTS	SUPPLIERS
	42% would be interested in participating in the Community of Practice.	63% would be interested in participating in the Community of Practice.
OUTCOME	Analyses from both the government departments and suppliers show that there is interest in participating in the Community of Practice. Although the interest from government departments was lower than suppliers, based on feedback from other channels, PWGSC is confident that there is significant interest from government departments in participating in the Community of Practice.	

Relevant Feedback

TOPIC	Do you see this proposed CoP as having benefits in improving your ability to work with the Government of Canada in R&D?	
	GOVERNMENT DEPARTMENTS	SUPPLIERS
	75% believe that the proposed Community of Practice would benefit the government departments in	74% believe that the proposed Community of Practice would benefit the suppliers in improving their ability

improving their ability to work with the PWGSC in R&D.	to work with the Government of Canada in R&D.
OUTCOME	Quantitative analyses from both the government departments and suppliers indicate that a majority of suppliers and those in government who responded see a benefit of Community of Practice. Suppliers demonstrated significant interest in participation in the Community of Practice.

New Strategic Direction

PWGSC will establish a Community of Practice (CoP) for R&D Procurement to facilitate engagement with specific subject matter experts from both PWGSC and government departments. The CoP will encourage communication among universities, government departments and industry. PWGSC will continue to engage more directly with Government networks.

Through the CoP, PWGSC will improve the consistency in the application procedures, risk management, legal interpretations and the identification of options available in R&D contracting, understanding that the nature of R&D procurement means that there will always be a need for an appropriate degree of flexibility.

5.2 Collaborative Partnerships

Original Recommendation

PWGSC, along with other departments, the private sector and academia have entered into collaborative arrangements to realize certain R&D requirements. The strategy foresees the possibility of other collaborative initiatives to enhance overall benefits for Canadian stakeholders. This will also enhance the engagement of client departments.

Relevant Feedback

TOPIC	Do you have any suggestions on potential collaborative approaches that could be used to enhance overall benefits for all Canadian stakeholders?
SUPPLIERS	
<i>Enhance client-supplier collaboration</i> A number of suppliers believe there should be an increase in client-supplier communication and collaboration. This would facilitate the procurement process and increase understanding for both parties.	
<i>Support for CICP</i> Respondents expressed support for the Canadian Innovation Commercialization Program (CICP). This suggests that CICP is an effective way for the Government of Canada to remain aware and up-to-date with industry innovations, systems, and/or new technology.	

Increase SME participation

Other suppliers felt that the Government of Canada should increase its focus on allowing small and medium enterprises (SME) to enter the R&D procurement process. The current R&D procurement process is time and resource intensive for SME's to adequately prepare a bid to compete against larger firms.

Federal and NGO collaborative R&D funding

Respondents felt that this would allow for greater industry innovation, while also providing the federal government with access to cutting-edge services and/or product offerings.

OUTCOME	Overall suppliers feel that R & D procurement is on the right track with collaboration, as seen through support for CICP. The majority of respondents believe there can still be an increase in SME participation, and enhanced client-supplier relationships.
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New Strategic Direction

Through the Community of Practice, PWGSC will continue to support collaborative initiatives such as PWGSC/CSA/NASA to address R&D requirements. Furthermore, PWGSC will document best practices and lessons learned in the R&D Contracting Body of Knowledge.

5.3 Challenges and Considerations

The following represent challenges and considerations that have been identified through preliminary consultations on the strategy for R&D:

- Access to R&D Performers
- Contracting with Universities and Not-for-Profit Organizations
- Harmonization of the Application of Individual Strategies and Terms and Conditions

Relevant Feedback

TOPIC	What barriers or challenges have you encountered in the federal procurement process for R&D? <ul style="list-style-type: none">• Cannot meet financial requirements• RFP is too complex and time-consuming to respond to• Requirements are not clear enough• Other• What would you propose as potential solutions and mitigation for barriers?
SUPPLIERS	
<i>Barriers encountered:</i> 70% of respondents indicated that the RFP process is too complex and time-consuming to respond to. Respondents gave fairly equal significance to the other two barriers listed - "cannot meet financial requirements" and "requirements are not clear enough" (48/138, 35% and 58/138, 42% respectively).	

SME barriers

The most common answer given by respondents was that the procurement process is biased against SMEs. Specific barriers were not explained.

Requirements for bidding qualifications are excessive

Respondents consistently indicated that the bidding process has too many unnecessary qualifications, which resulted in disqualification when unfulfilled. This was highlighted as a barrier for SME participation. Examples of unreasonable bidding requirements included: minimum numbers of years of recorded client history, as well as language and security requirements.

Same Suppliers often being awarded contracts

Suppliers expressed the belief that the procurement process is difficult, and the same suppliers are often winning the contracts or that processes are biased to suppliers located in central Canada. Suppliers would like to see a more fair and transparent procurement process and provide more opportunities to regions.

Limited government-supplier dialogue

Some suppliers expressed concern that there is excessive formality in communicating with government involved in the procurement process. Respondents believe this interferes with clear dialogue between the clients and suppliers.

Creating a team, of qualified individuals from industry and Government.

Suppliers suggested that a team could be created to review Request for Proposals (RFP), facilitate the process, select qualified individuals to participate on the team, and be dedicated to the completion of the procurement. A new team could be selected for each procurement.

Suppliers are supportive of the use of seminars and other educational tools to open the lines of communication, increase engagement and to demystify the process.

OUTCOME	Some of the barriers or challenges encountered by suppliers in the R & D procurement process include; the qualifications are excessive; the suppliers believe in some cases the same suppliers are always being awarded contracts; there is overly restricted government-supplier dialogue and that MERX further complicates the process.
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New Strategic Direction

PWGSC will simplify and standardize the RFP template so that it is more SME friendly, enhance opportunities for more meaningful supplier communication and provide guidance on the RFP process, in order to more effectively manage the timelines between bid receiving and award of contract.

PWGSC will offer more opportunities for meaningful communication and diversify the engagement approach (webinars, face-to-face, bilateral meetings, as

appropriate).

PWGSC will engage in dialogue at both the procurement and project level to ensure clear and direct communications with government departments. Opportunities for significant engagement will be enhanced through the Community of Practice and exchange of information in the Community of Practice. PWGSC will utilize Request For Information (RFI) processes to engage with R&D suppliers.

OSME will continue to offer free in-person supplier training on doing business with the federal government and will create an online learning center to provide 24/7 access to both generic and specialized supplier training, including a module on defense and security procurement which references R&D procurement. Development of additional online seminars will be considered based on the needs of the supplier community. OSME also will continue to make information available to suppliers through its Buyandsell.gc.ca Web site and national Info Line (1-800 -811-1148), as well as to provide one-on-one or tailored counseling sessions through its six regional offices (Halifax, Montréal, Gatineau, Toronto, Edmonton, Vancouver).

PWGSC will engage university and college associations and incorporate insight and lessons gained from this engagement in the Body of Knowledge. PWGSC will build and tailor existing documents and tools developed by other levels of government such as those developed by the Province of British Columbia and the Province-University Research Relationships Working Group to streamline and simplify the procurement process.

Canadian Content and Socio-Economic Considerations-Value Proposition

PWGSC will provide guidance on socio-economic strategies, and provide relevant examples of requirements, including where the Canadian Content approach was tailored to meet the needs of clients and achieve socio-economic objectives. This guidance will be documented in the R&D Contracting Body of Knowledge. This would enhance Canadian Content in R&D.

PWGSC will provide guidance regarding Value Propositions in R&D Contracting with stakeholders to best leverage Value Proposition for the optimal benefits for clients and suppliers. PWGSC will develop scenarios that will explain cost-sharing contracts to better leverage outreach with clients and suppliers. A Community of Practice working group will examine the scenarios and best practices in industry. The outcome will provide better clarity to clients and suppliers and the best practices will be documented in the Body of Knowledge.

Relevant feedback

TOPIC	Do you have any suggestions on how PWGSC can increase participation in R&D procurement opportunities?
SUPPLIERS	
<p>Many respondents identified general ways to increase participation including:</p> <ul style="list-style-type: none"> • Increasing transparency of the process • Increasing client-supplier collaboration • Regular dissemination of relevant information (particularly via email) • Streamlining RFP response documents to reduce paperwork • Shortening decision making timelines <p>Separating university and private sector bidding process A small number of suppliers identified the challenge of competing against universities for bids. In addition, one respondent mentioned not-for-profits and other specialized R&D performers should be treated under a different funding and evaluation model than for profit suppliers.</p> <p>Provide incentives for collaboration Several suppliers expressed the need for more regional integration and collaboration through the use of online communities.</p>	
OUTCOME	Suppliers have indicated a few ways that PWGSC can increase participation in R&D procurement opportunities including: Increasing transparency of the process; facilitating client-supplier collaboration; and shortening decision making timelines.

New Strategic Direction

PWGSC will simplify and standardize the RFP template so that it is more SME friendly, enhance opportunities for more meaningful supplier communication and provide guidance on the RFP process, in order to more effectively manage the timelines between bid receiving and award of contract.
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Relevant feedback

TOPIC	The Office of Small and Medium Enterprises (OSME) offers free seminars to businesses interested in learning about the procurement process and how to sell goods and services to the Government of Canada. Would such a program, directed towards universities, not-for-profit and other specialized R&D performers, be of value?
SUPPLIERS	
73% agree that the free seminars to businesses interested in learning about the procurement process and how to sell goods and services to the Government of Canada, directed towards universities, not-for-profit and other specialized R&D performers would be of value.	

OUTCOME

Majority of the suppliers believe that free seminars given by OSME offer value.

New Strategic Direction

OSME will continue to offer free in-person supplier training on doing business with the federal government and will create an online learning center to provide 24/7 access to both generic and specialized supplier training, including a module on defense and security procurement which references R&D procurement. Development of additional online seminars will be considered based on the needs of the supplier community. OSME also will continue to make information available to suppliers through its Buyandsell.gc.ca Web site and national Info Line (1-800 -811-1148), as well as to provide one-on-one or tailored counseling sessions through its six regional offices (Halifax, Montréal, Gatineau, Toronto, Edmonton, Vancouver).

PWGSC will engage university and college associations and incorporate insight and lessons gained from this engagement in the Body of Knowledge. PWGSC will build and tailor existing documents and tools developed by other levels of government such as those developed by the Province of British Columbia and the Province-University Research Relationships Working Group to streamline and simplify the procurement process.

5.4 Canadian Content and Socio-Economic Considerations Value Proposition**Original Recommendation**

PWGSC is currently examining socio-economic leverages and evaluation processes that may be used to achieve strategic government objectives for R&D acquisitions. The standard definition of Canadian content is: a minimum of 80 percent of the total proposal price must consist of Canadians goods and services.

The Canadian content policy encourages industrial development in Canada by limiting, in specific circumstances, competition for government procurement opportunities to suppliers of Canadian goods and services. The Canadian content policy frequently plays a significant role in the procurement of Research and Development.

There are several challenges in applying the standard policy to R&D, particularly with respect to Technology Demonstration Projects. These are:

- Technical requirements are exigent, which tends to constrain the number of suppliers who meet the requirement;
- Limited interest by suppliers to bid on R&D is influenced by a perceived fit;
- When the solicitation calls for cost sharing by contractor;
- Limited response from bidders on certain requirements due to narrow

market such as pharmaceuticals for defence applications.

The parameters for Canadian content can be adjusted based on a strong business case analysis.

Relevant Feedback

TOPIC	Do you support the application of a flexible Canadian content approach?	
GOVERNMENT DEPARTMENTS	SUPPLIERS	
<p>95% of the respondents support the application of a flexible Canadian content approach.</p> <p>The Canadian Content Policy is good for Canadians, for R&D purposes; it should be assessed in the context of the requirement(s) being pursued. Our approach needs the flexibility for a much broader perspective than our own country. By limiting the Canadian Content, we may be limiting our ability to move to more advanced technologies.</p>	<p>84% of the supplier respondents support the application of a flexible Canadian content approach.</p> <p>“Made in Canada” The most consistent suggestion was that the Canadian Government should focus solely (100%) on Canadian manufacturers and a “Made In Canada” approach. Respondents felt that if the Federal Government focused on Canadian suppliers this would maintain industry health and increase industry innovation.</p> <p>A number of SME-identified respondents are concerned that allowing international competition would reduce their ability to compete in Canadian R & D requirements.</p> <p>International expertise weighed with Canadian Content A few suppliers discussed the fact that employing international expertise and industry innovations is necessary for both suppliers and the federal government to keep pace with the R&D industry. However, the respondents noted that the federal government should focus on utilizing international expertise and innovation only when necessary, while primarily focusing on Canadian content and Canadian suppliers.</p> <p>Limits client needs</p>	

	A small number of suppliers were opposed to this initiative because they felt that focusing on Canadian Content can potentially result in the federal government not having access to international goods and/or services best suited to meet its needs.
OUTCOME	An overall majority of government departments and suppliers support the application of flexible Canadian Content approach.

New Strategic Direction

PWGSC will provide guidance on socio-economic strategies, and provide relevant examples of requirements, including where the Canadian Content approach was tailored to meet the needs of clients and achieve socio-economic objectives. This guidance will be documented in the R&D Contracting Body of Knowledge. This would enhance Canadian Content in R&D.

PWGSC will provide guidance regarding Value Propositions in R&D Contracting with stakeholders to best leverage Value Proposition for the optimal benefits for clients and suppliers.

PWGSC will develop scenarios that will explain cost-sharing contracts to better leverage outreach with clients and suppliers. A Community of Practice working group will examine the scenarios and best practices in industry. The outcome will provide better clarity and will be documented in the Body of Knowledge.

The Value Proposition (VP) Model will allow bidders to supplement their technical expertise with additional value-added elements for assessment in domains of interest to the federal government.

Relevant Feedback

TOPIC	Which of the following elements would you consider to be a valuable area to evaluate under the value proposition model for R&D? <ul style="list-style-type: none"> • Cost-sharing / In-kind contribution; • Multi-disciplinary collaboration or involvement; • Commercialization in Canada; • Potential for commercialization; • Innovation to increase the state-of-the-art; • Utilization of Canadian small and medium enterprises as sub-contractors; • Canadian content; and, • Environmental sustainability. 	
	GOVERNMENT DEPARTMENTS	SUPPLIERS
	The government departments consider the following elements as valuable	A large number of respondents selected the following three elements as the

<p>areas to evaluate under the value proposition model for R&D are:</p> <ul style="list-style-type: none"> - Cost-sharing / In-Kind Contribution; - Multi-disciplinary collaboration or involvement; and - Innovation to increase the state-of-the-art. 	<p>most valuable areas to evaluate under the value proposition model for R&D:</p> <ul style="list-style-type: none"> - Utilization of Canadian SMEs as contractors - Innovation to increase the state-of-the-art - Potential for commercialization <p>Additionally, between 40% and 49% of total respondents selected one or more of the following elements:</p> <ul style="list-style-type: none"> - Commercialization in Canada; - Cost Sharing/In-Kind Contribution; - Environmental Sustainability; - Multi-disciplinary collaboration or involvement; and - Canadian content.
<p>OUTCOME</p>	<p>The majority of respondents feel that there are no additional elements to be considered in the value proposition model.</p>

Relevant Feedback

<p>TOPIC</p>	<p>Are there additional elements not considered that would benefit you from the value proposition model?</p>	
<p>GOVERNMENT DEPARTMENTS</p>	<p>SUPPLIERS</p>	
<p>Whether the R&D project would train individuals in new skill/trade/increase knowledge, thereby increasing Canada's skilled workforce.</p> <p>84% of the respondents do not have any additional elements that would add to the value proposition model.</p>	<p>Multiple party collaborations The federal government should consider evaluating joint supplier/party collaborations, which allows suppliers to pool their expertise together and potentially facilitate increased innovation and/or commercialization.</p> <p>Joint federal government/venture capital grant program A joint federal government/venture capital grant program for companies that are developing not-yet-commercialized products should be created. Such a private/public program would allow emerging innovative suppliers to quickly and efficiently begin the commercialization process, while in turn improving Canadian industry innovation.</p>	

	<p>Understand R&D long-term work objectives</p> <p>The federal government must clearly determine the long-term objectives of the work. A general broader understanding regarding whether a completed contract will generate further knowledge and understanding, whether it is designed for economic benefits, or whether it will service federal government needs, is necessary.</p> <p>80% of the respondents do not have any additional elements that would add to the value proposition model.</p>
OUTCOME	While the majority of respondents feel that there are no additional elements to be considered in the value proposition model, a few had specific suggestions of interest.

TOPIC	Will the value proposition evaluation model help support your business?
SUPPLIERS	
<p>49% of the respondents believe the value proposition evaluation model will support their business.</p> <p>Will improve the ability for commercialization and innovation</p> <p>A number of suppliers expressed optimism that the new emphasis on value-add for research and development projects would greatly improve the potential for commercialization. This commercialization would greatly assist their business, as it would maximize the potential for emerging technologies.</p> <p>Will provide greater opportunities for SMEs</p> <p>Some suppliers indicated that the new value proposition evaluation model would provide a greater opportunity for SMEs to compete with larger businesses. In particular, some of the respondents specified that there would be an increased benefit to SMEs who serve only a selected region, as emphasis will be placed on the increased value they can add to that region. The value requirement will help SMEs compete with large companies' pricing.</p> <p>These respondents also expressed support towards the proposed cost sharing initiatives, as they indicated that cost sharing is often the only way smaller businesses can compete for the larger government contracts.</p>	

Recognition of value-add would benefit existing company practices

A number of respondents indicated that they already have a focus on value-add built into their company practices, so a federal government system that recognized this would benefit their companies.

Improve quality for government

Respondents believed that the emphasis on value-add would lead to a better and more satisfactory quality of product for the government.

51% of the respondents do not believe the value proposition evaluation model will support their business.

Additional SME-specific cost-burdens may arise

Some respondents expressed concerns that a value-add approach would create extra cost burden to SMEs. Suppliers indicate that this approach would lead to a more complicated procurement procedure, which would require more paperwork, time, and resources to place bids.

Uncertainty over consequences of cost sharing

Some suppliers expressed uncertainty regarding how cost sharing would work in practice, believing it could possibly affect them negatively. Specifically, these suppliers felt it could be a burden to get partners involved and to determine the cost-sharing expectations between partners.

Uncertainty over efficiency

Some suppliers indicated that emphasis on value-add looks like a good practice, but its efficacy will depend on whether or not evaluations can be done quickly, fairly, and efficiently.

Requires clear and open feedback mechanisms. Some suppliers expressed the desire for clear and open feedback mechanisms regarding this practice if it is put in place.

OUTCOME	The value proposition model needs to be further explained and socialized among client departments and industry.
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New Strategic Direction

PWGSC will provide guidance regarding Value Propositions in R&D Contracting with stakeholders to best leverage Value Proposition, for the optimal benefits for clients and suppliers.

PWGSC will develop scenarios that will explain cost-sharing contracts to better leverage outreach with clients and suppliers. A Community of Practice working group will examine the scenarios and best practices in industry. The outcome will provide better clarity and will be documented in the Body of Knowledge.

5.5 Intellectual Property (IP)

IP considerations play a significant role in R&D contracts. The procurement strategy and solicitation documentation will define the ownership of IP, and may also restrict any potential commercialization of the end result to a Canadian owned supplier. This ensures that the R&D investment remains in Canada and exploiting the IP will benefit Canadians and maintain domestic capability expertise.

Intellectual Property (IP) is defined as any rights resulting from intellectual activity in the industrial, scientific, literary, or artistic fields including all intellectual creation legally protected through patents, copyright, industrial design, integrated circuit topography, and plant breeders' rights, or subject to protection under the law as trade secrets and confidential information. IP does not include prototypes or any other physical embodiments of intellectual creation when such physical embodiments are deliverables of a Crown Procurement Contract.

Treasury Board's Policy on Title to Intellectual Property Arising Under Crown Procurement Contracts states that the primary objective in entering into Crown Procurement Contracts is to receive the deliverables contracted for, and to be able to use those deliverables, and any IP arising by the virtue of such Crown Procurement Contracts for GC activities. The default position of the Government of Canada is for the IP rights to rest with the contractor.

Relevant Feedback

TOPIC	Does the current Intellectual Property approach effectively support Canadian industry and academia?	
GOVERNMENT DEPARTMENTS	SUPPLIERS	
<p>81% agree that the current Intellectual Property approach effectively supports Canadian industry and academia.</p> <p>Defence/national security requirements often do not support the industry in the exploitation of IP resulting from contracted R&D. National Security procurements are an exception where Canada may own the IP. It is generally outside the scope of Defence scientists work to be concerned with these issues.</p> <p>It was noted that at times, it was difficult to finalize contracts due to the IP ownership within the academic world.</p>	<p>80% agree that the current Intellectual Property approach effectively supports Canadian industry and academia.</p> <p>Increases international investment Reducing Canadian industry innovation</p> <p>A number of respondents were opposed to the restriction of Intellectual Property information. It creates a scenario where potential bidders will look internationally for investment opportunities. This can limit the sustainability and viability of Canadian enterprises.</p> <p>Private industry as IP champion</p> <p>Other respondents felt that private industry should be the champion for</p>	

	<p>commercializing new/innovative products to the marketplace. By allowing the federal government to control intellectual property, opportunities for industry innovation and larger product and/or service offerings become limited.</p> <p>Increases federal government costs A small number of respondents expressed the perception that allowing the federal government to control IP increases federal costs that are then transferred onto Canadians.</p> <p>Hinders the commercialization process Other respondents expressed the perception that allowing the federal government or academic institutions to hold intellectual property unduly slows down the commercialization process.</p>
OUTCOME	Over 80% of government departments and suppliers agree with the current Intellectual Property approach effectively supports Canadian industry and academia.

New Strategic Direction

The current Intellectual Property (IP) Policy works well. Based on feedback, it is clear that there are misconceptions and a lack of understanding of IP and the IP Policy. This may be a barrier in preventing suppliers from bidding. In order to resolve this, PWGSC will provide additional guidance in the Body of Knowledge for contracting officers and clients to ensure that the current IP approach is well understood and can be applied consistently. PWGSC will also be adding a frequently asked question document for R&D suppliers.

5.6 Limitation of Liability

Limitation of Liability is assessed on a case-by-case basis but with R&D contracts, Canada is typically 'silent' on liability.

Relevant Feedback

TOPIC	What is your perspective on the approach used for Limitation of Liability in R&D contracts? If you have a suggestion on a different approach, please provide details.	
	GOVERNMENT DEPARTMENTS	SUPPLIERS
	The default should be for Canada to remain silent, however, it may be practical and suitable to have a	Case-by-case basis The majority of suppliers felt a case-by-case basis was most appropriate for

<p>Limitation of Liability process similar to that used in IT contracting. There is a defined limit (cap) for the industry and if it is under that limit, then the request is forwarded to the Director of R&D, in Acquisitions as the Commodity Manager.</p> <p>Limitation of Liability should be assessed on a case-by-case basis. Each requirement should be looked at individually and analyzed both from operational and policy perspectives.</p> <p>There should be a selection of supplementary clauses to define Liability for different cases.</p> <p>As Limitation of Liability outside of a commodity grouping moves contracts to "complex" environment vs. the new basic/standard... the contract and Limitation of Liability approval process for these types of requirements needs to be streamlined. Would be difficult to establish a Limitation of Liability at the commodity level due to the very nature of R&D.</p>	<p>determining level of liability. This suggestion was often supported by the claim that many contracts required excessive insurance coverage, relative to the contract, preventing smaller suppliers from participating.</p> <p>Limited to the maximum value of the contract</p> <p>While some respondents provided exact dollar figures on minimum liability (including \$5 and \$10 million dollars), others suggested that liability be limited to the maximum value of the contract.</p>
<p>OUTCOME</p>	<p>The Government departments and the Suppliers have indicated that Case-by-case approach should be used for Limitation of Liability in R&D contracts.</p>

New Strategic Direction

PWGSC will examine limitation of liability in greater detail and document case-by-case assessments to determine the technology or domains where issues typically surface in R&D contracts and include also commonly occurring scenarios and responses and this analysis in the Body of Knowledge. This may include the development of a "commodity grouping". Further linkages will be made with the current Risk Management Framework. This will ensure consistency and increase certainty for suppliers.

5.7 Warranty

It is difficult to place a warranty for an R&D good or service. The nature of R&D is such that warranties may be limited in some cases, in part because it is not generally possible to determine what the expected useful life span of an R&D output actually is. As a result, the strategy will assume as a generic position that warranties will not be requested unless justified on a case-by-case basis.

Relevant Feedback

TOPIC	What is your perspective on the application of Warranty in R&D government of Canada contracts?	
GOVERNMENT DEPARTMENTS		SUPPLIERS
<p>Case-by-case basis Many government departments identified the case-by-case method, as the best approach to address the challenging nature of R&D contracts.</p> <ul style="list-style-type: none"> - Warranty clauses should be modified to describe the "fit for purpose". - Clients should be able to assess the warranty requirements applicable / feasible, and provide it as part of the SOW. <p>It is difficult to apply warranties to R&D; typically they only apply well to goods. The whole point of R&D is to determine what the R&D might be – a warranty could be a deliverable/objective of the R&D project in itself.</p> <ul style="list-style-type: none"> • The ability to remain silent on warranty would assist in moving projects forward. Similar concept as Limitation of Liability in that it could be based on a risk assessment conducted by the client department who would sign off on "no warranty" acceptance. Still need to deal with "fitness for purpose" and sale of goods act. 		<p>Some suppliers expressed circumstances where they felt warranties would be applicable. These include:</p> <ul style="list-style-type: none"> • Quality and fitness of use; • Duration; • Proof of concept; and • Quality of work. <p>Respondents provided the following two suggestions.</p> <p>Case-by-case basis Many suppliers identified the case-by-case method, as the best approach to circumvent the challenging nature of many R&D contracts.</p> <p>Regular Client Monitoring As an alternative to warranties, a few suppliers suggested regular client monitoring be done throughout the contract period. Through detailed work plans, this approach would allow for more client input, and ensure "client sign-off" before proceeding with a contract</p> <p>Due to the intrinsic nature of R&D, the majority of suppliers felt that warranties are not applicable or appropriate in many cases.</p> <p>Suppliers identified the following concerns.</p>

	<ul style="list-style-type: none"> • Difficulty in predicting and/or evaluating R&D outputs. • Constantly changing baseline for performance and consumers increasing expectations. <p>Since R&D is high risk, any warranty that is overburdened with conditions will preclude suppliers from participating.</p>
OUTCOME	The majority of respondents felt that warranties are difficult to place in R&D procurement; the best method for using a warranty is a case-by-case assessment.

New Strategic Direction

PWGSC will examine warranty in greater detail to identify and document case-by-case assessments to determine the approach to be used for warranty in R&D contracts and include this analysis and commonly occurring scenarios in the Body of Knowledge. A decision tree will be included to have a clear method of how warranty in R&D will be applied; in most cases warranty will only apply to commercial-off-the-shelf products.

5.8 Environmental Consideration

Raise the awareness of environmental consideration.

Relevant Feedback

TOPIC	Environmental consideration.	
	GOVERNMENT DEPARTMENTS	SUPPLIERS
	Did not collect any data on this topic	Did not collect any data on this topic
OUTCOME	A continual integration of environmental considerations will be included in the procurement of Research and Development. PWGSC will integrate environmental considerations to encourage green practices, where possible, in consultation with the client departments. PWGSC will continue to explore all applicable environmental considerations and standards and include them in the evaluation criteria as appropriate.	

New Strategic Direction

PWGSC will support emerging environmental technologies and demonstrate environmental leadership by encouraging suppliers and government departments to use environmentally preferable goods, services and processes while striving for the optimal balance between departmental requirements, supplier capabilities and ensuring value to Canadians.

5.9 General Comments

Relevant Feedback

TOPIC	Taking into consideration all elements of the draft National Procurement Strategy for R&D, do you foresee any issues with the implementation of this strategy?	
GOVERNMENT DEPARTMENTS		SUPPLIERS
<p>56% of the respondents do not see any issues with the implementation of this strategy</p> <p>Depending on how the new value propositions are evaluated there could be a significant increase in paperwork, which could become a burden in terms of time and resources.</p> <p>In addition to the classic RFP approach, the strategy proposes two fairly novel methods of R&D contracting: Program-focused CFP and Collaborative Partnership. Extensive client training will be required to ensure effective implementation.</p> <p>R&D is so different from buying commercially-available items that there must be more flexibility...for example, allowing for contingency amount in contracts.... understand universities' need for IP and copyrights.</p> <p>There could be a potential cost to end-users when the value-proposition is used. More information regarding this evaluation method will need to be provided.</p>		<p>59% of the respondents do not see any issues with the implementation of this strategy.</p> <p>Increase SME focus Many respondents indicated that one of the largest areas for improvement in the strategy for R&D was to increase the focus on SMEs. Respondents indicated that there are currently too many barriers in the current process. Suppliers expressed the belief that programs won't be able to meet their goals unless the government is more willing to take a risk on smaller companies and entrepreneurs.</p> <p>Allow for more flexibility Some suppliers indicated that flexibility should have high importance in R&D procurement, as R&D is about innovation, risks, and experimentation.</p> <p>Speed up procurement process Some suppliers expressed concerns with the speed of the procurement process, stressing the need for a faster process able to keep pace with industry innovations. To accomplish this, respondents' suggested limiting administration, allowing more access and transparency.</p>

	<p>Create risk management strategy To better support innovation, suppliers indicated the importance of a stronger risk management strategy. Respondents indicated that despite R&D inherently involving risk, the current strategy does not clarify whether it will be the company or the government who assumes the risk.</p> <p>Increase expertise in government Some suppliers indicated that the bid review process should be conducted with the help of R&D subject experts.</p> <p>Performance indicators Respondents indicated that they would like to see relevant and clear performance indicators for the bid review process.</p> <p>Improve communication Some suppliers reiterated the importance of bettering communication so that it is timely and in plain language.</p> <p>Reduce financial requirements Financial requirements pose the biggest barrier to SME involvement in the procurement process.</p> <p>Eliminate conflicts between stakeholders Some suppliers indicated that they would like to see a greater effort made to eliminate conflicts between all stakeholders including government, large industry, SMEs, and universities.</p>
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TOPIC	Other comments regarding the proposed National Procurement Strategy for R&D.
	SUPPLIERS
	Suppliers expressed appreciation for having been included in the consultation process and applauded the Government of Canada's efforts to

	<p>improve federal procurement.</p> <p>Time to implement an actual contract to support the R&D effort must be streamlined. The current process is extremely delayed.</p>
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TOPIC	Are there any aspects or elements that might be included in the draft National Procurement Strategy to support and/or facilitate efficiency in R&D Contracting?	
GOVERNMENT DEPARTMENTS	SUPPLIERS	
<ul style="list-style-type: none"> • Relaxing policies of review and oversight; allowing a greater risk tolerance. • Continuing with sharing of knowledge to ensure consistency across regions. <p>Whenever feasible R&D procurement should be investing in innovation. Where feasible and appropriate, PWGSC can offer the competitive advantage to those firms that, for example, demonstrate the capability and capacity to commercialize in Canada. This can be done in one (1) procurement process, rather than multiple processes.</p> <ul style="list-style-type: none"> • This would increase cross-sector partnerships; multi-disciplinary collaboration or involvement; reduce procurement timelines and administrative costs; reduce development and contract related risks; and maintain momentum of key team resources. <p>A lot of effort is spent managing smaller contracts. An initiative aimed at helping client departments tackle this challenge would be welcome.</p>	<p>Many suppliers provided general consensus on how to support and/or facilitate collaboration, including:</p> <ul style="list-style-type: none"> • Simple, streamlined, and fair procurement process • Clear and frequent communication • Online reporting <p>Additionally, a few suppliers suggested the inclusion of working groups by sector and region including smaller regionally based stakeholders and experts from across sectors.</p> <p>Potential activities included:</p> <ul style="list-style-type: none"> • Regular think-tank and innovation meetings; • Engage stakeholders not usually reached, such as primary resource leaders, inventors, financiers; • Provide regional conferences on innovation, attracting venture capital, foreign investors and experts from other regions; • Hold workshops on proposal and project creation; and • Hold workshops on economic development based on research activities <p>69% of respondents indicated that they did not have any aspects or elements to suggest for inclusion in the National Procurement Strategy to support and/or facilitate efficiency in R&D contracting.</p>	

OUTCOME	Overall the majority of respondents feel that there is a need to simply, streamline and have a fair procurement process. It was also noted that they would like to see clear and more frequent communication and moving towards online reporting.
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New Strategic Direction

PWGSC will explore opportunities for simplifying, streamlining and reducing barriers by engaging suppliers and getting a better understanding of their concerns. PWGSC will provide clearer and more frequent communication and will be looking at moving towards online reporting.

6 Summary of Strategic Directions

Overall, the feedback from government departments and industry is generally positive and the recommendations put forth in the draft National Procurement Strategy are supported. PWGSC will improve the procurement process for Research and Development by putting in place the following strategic directions.

Community of Practice:

PWGSC will establish a Community of Practice (CoP) for R&D Procurement to facilitate engagement with specific subject matter experts from both PWGSC and government departments. The CoP will encourage communication among universities, government departments and industry. PWGSC will continue to engage more directly with Government networks.

Through the CoP, PWGSC will improve the consistency in the application procedures, risk management, legal interpretations and the identification of options available in R&D contracting, understanding that the nature of R&D procurement means that there will always be a need for an appropriate degree of flexibility.

Collaborative Partnerships

Through the Community of Practice, PWGSC will continue to support collaborative initiatives such as PWGSC/CSA/NASA to address R&D requirements. Furthermore, PWGSC will document best practices and lessons learned in the R&D Contracting Body of Knowledge.

Challenges and Considerations

PWGSC will simplify and standardize the RFP template so that it is more SME friendly, enhance opportunities for more meaningful supplier communication and provide guidance on the RFP process, in order to more effectively manage the timelines between bid receiving and award of contract.

PWGSC will offer more opportunities for meaningful communication and diversify the engagement approach (webinars, face-to-face, bilateral meetings, as appropriate).

PWGSC will engage in dialogue at both the procurement and project level to ensure clear and direct communications with departments. Opportunities for significant engagement will be enhanced with the Community of Practice and exchange of information in the Community of Practice. PWGSC will utilize Request for Information (RFI) processes to engage with R&D suppliers.

PWGSC will engage university and college associations and incorporate insight and lessons gained from this engagement in the Body of Knowledge. PWGSC will build and tailor existing documents and tools developed by other levels of government such as those developed by the Province of British Columbia and the Province-University Research Relationships Working Group to streamline and simplify the procurement process.

Canadian Content and Socio-Economic Considerations-Value Proposition

PWGSC will provide guidance on socio-economic strategies, and provide relevant examples of requirements, including where the Canadian Content approach was tailored to meet the needs of clients and achieve socio-economic objectives. This guidance will be documented in the R&D Contracting Body of Knowledge. This would enhance Canadian Content in R&D.

PWGSC will provide guidance regarding Value Propositions in R&D Contracting with stakeholders to best leverage Value Proposition for the optimal benefits for clients and suppliers. PWGSC will develop scenarios that will explain cost-sharing contracts to better leverage outreach with clients and suppliers. A Community of Practice working group will examine the scenarios and best practices in industry. The outcome will provide better clarity and will be documented in the Body of Knowledge.

The Value Proposition (VP) Model will allow bidders to supplement their technical expertise with additional value-added elements for assessment in domains of interest to the federal government.

Intellectual Property (IP)

The current IP Policy works well. Based on feedback, there appears, nonetheless to be some misconceptions and a lack of understanding of IP and the IP Policy. This may be a barrier in preventing suppliers from bidding. In order to resolve this, PWGSC will provide additional guidance in the Body of Knowledge for Contracting Officers and Clients to ensure that the current IP Policy is well understood and can be applied consistently. Adding a frequently asked question document for R&D suppliers

Limitation of Liability

PWGSC will examine limitation of liability in greater detail. PWGSC will document case-by-case assessments to determine the technology or domains where issues typically surface in R&D contracts and include this analysis in the Body of Knowledge. This may include the development of a “commodity grouping”.



Further linkages will be made with the current Risk Management Framework. This will ensure consistency and increase certainty for suppliers.

Warranty

PWGSC will examine warranty in greater detail to identify and document case-by-case assessments to determine the approach to be used for warranty in R&D contracts and include this analysis and commonly occurring scenarios in the Body of Knowledge. A decision tree will be included to have a clear method of how warranty in R&D will be applied; in most cases warranty will only apply to commercial-off-the-shelf products.

Environmental Considerations

PWGSC will support emerging environmental technologies and demonstrate environmental leadership by encouraging suppliers and government departments to use environmentally preferable goods, services and processes while striving for the optimal balance between departmental requirements, supplier capabilities and ensuring value to Canadians.

General Comments

PWGSC will explore opportunities for simplifying, streamlining and reducing barriers by engaging suppliers and getting a better understanding of their concerns. PWGSC will provide clearer and more frequent communication and will be looking at moving towards online reporting.