



# National Goods and Services Procurement Strategy Clothing and Textiles

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*Shaping procurement together*



## Table of Contents

<b>Executive Summary</b> .....	<b>ii</b>
<b>1 Purpose</b> .....	<b>1</b>
<b>2 Definition</b> .....	<b>1</b>
<b>3 Canadian Industry - Market Information</b> .....	<b>2</b>
<b>4 GC Spend Analysis</b> .....	<b>2</b>
<b>5 PWGSC Contract Activity</b> .....	<b>3</b>
<b>6 Summary of the Procurement Processes</b> .....	<b>3</b>
<b>7 Summary of Analyses of Supplier and Government Department Feedback</b> .....	<b>5</b>
<b>8 Action Plan</b> .....	<b>5</b>
8.1 Demand Management .....	5
8.2 Access to the Government of Canada Market .....	7
8.2.1 Optional Quantities .....	7
8.2.2 Sealed Samples and Pre-Award Samples.....	8
8.3 Bid Evaluation Methods .....	9
8.4 Communication.....	10
8.5 Vendor (Supplier) Performance .....	11
8.6 Environmental Considerations .....	12
8.7 Preparation for an Emergency Situation .....	13
<b>9 Final National Goods and Services Procurement Strategy</b> .....	<b>13</b>
<b>Annex A: National Category Review - Clothing and Textiles</b> .....	<b>14</b>
<b>A1 Market Review</b> .....	<b>14</b>
<b>A2 Current PWGSC Procurement Analysis (additional information)</b> .....	<b>15</b>
A2.1 Bid Solicitation, Evaluation and Supplier Selection .....	15
A2.1.1 Bid Solicitation Process .....	15
A2.1.2 Aboriginal Access (PSAB – CLCAs).....	15
A2.1.3 Rules of Origin.....	16
A2.1.4 Specifications .....	16
A2.1.5 Contract Financial Security.....	16
<b>A3 Vendor (Supplier) Performance</b> .....	<b>16</b>
<b>A4 Clothing Advisory Service for Uniforms</b> .....	<b>17</b>
<b>Bibliography</b> .....	<b>18</b>

# Executive Summary

## Introduction

Public Works and Government Services Canada (PWGSC) completed a review of how it procures clothing and textiles for federal government departments and agencies to develop the National Goods and Services Procurement Strategy for Clothing and Textiles. Government departments and suppliers were provided the opportunity to review and provide comments to ensure the direction aligned with industry capacity. All comments were taken into consideration when finalizing this National Goods and Services Procurement Strategy for Clothing and Textiles.

This national procurement strategy for clothing and textiles aims to provide a Canada-wide approach. When implemented, this approach will improve the ease and effectiveness of the procurement process for all stakeholders.

## Definition

This National Goods and Services Procurement Strategy examines clothing and textiles purchased by PWGSC on behalf of government departments for all values of transactions. Subcategories included within this strategy are clothing; badges and insignia; uniforms; footwear; protective clothing and equipment; individual equipment and items; luggage; and textiles.

## Background

PWGSC's procurement processes ensure that the Government of Canada's (GC) clothing and textile requirements:

- Foster a healthy, stable and competitive industry for clothing and textiles in Canada.
- Ensure that products meet the performance standards required by government departments.

The Treasury Board Secretariat has mandated government departments to use purchasing instruments established by PWGSC for Clothing and related items to ensure uniformity of product. Product uniformity is critical to the GC so that people can identify membership, rank and protect personnel working on behalf of Canadian Government.

PWGSC manages the procurement when government departments' requirements exceed their delegated contracting authorities. The primary drivers in this industry revolve around performance, durability, and quality. In order to best satisfy these drivers, PWGSC has established contracts as the main method of supply. Contracts ensure that the scope of work is well defined, can be customized to the specific government department requirement and assist in managing the GC's demand and delivery. Contracts are most often awarded to the lowest-priced bidder meeting the evaluation criteria indicated in the solicitation.

PWGSC also puts in place consolidated contracts for uniforms on behalf of government departments. Consolidated contracts are managed through two prime suppliers and the majority of the contract value is sub-contracted to Canadian SMEs who manufacture the raw materials and/or produce the finished products.

## Canadian Industry

Revenues in the Canadian clothing and textile industry amounted to \$5.8 billion in 2011 (Conference Board of Canada, 2012). This amount is forecasted to increase slightly until 2016.

### **Government of Canada Spend**

Based on Fiscal Year (FY) 2006/07 – FY 2010/2011, the GC spends on average approximately \$239 million per year on clothing and textile products. Over the FY 2006/07 – FY 2011/2012 period, the average value awarded annually by PWGSC for clothing and textiles on behalf of government departments was approximately \$214 million.

### **Formal Consultation Findings**

A draft national strategy was posted from January 13, 2012 through April 04, 2012 (83 days). Comments were received from 12 government departments and 142 industry respondents. 93% of respondents identified themselves as a small or medium enterprise while 7% of respondents identified themselves as a large enterprise. The objective of the draft national strategy was to identify opportunities to better manage the procurement of clothing and textiles civilian goods for the Government of Canada, through better alignment of government demand and industry capability.

The general view of respondents is supportive of the overall strategy. However, the areas of concern expressed by the respondents included:

- Continued communication and consultation of implementing consolidated contracts with government departments and industry;
- Reasonable access for bidders to sealed samples of items to be produced;
- Selection of suppliers for contract awards based on lowest price, best value or a combination of both; and
- Perceived communication barriers between industry and government departments.

### **Strategic Direction**

The National Goods and Services Procurement Strategy for clothing and textiles, when implemented, will improve the efficiency and effectiveness of the procurement process for government departments and industry; and aims to be consistent with PWGSC's mission statement of fostering a healthy and competitive industry. PWGSC will continue to use contracts as the main method of supply because of the multitude of unique government department requirements.

In order to improve the procurement process for clothing, textiles and related items, PWGSC will include the following. First, PWGSC will consider reducing repetitive individual buys and expanding the Consolidated Uniform Contracts program where demand warrants. In order to be considered for this program, this type of procurement will undergo a rigorous process through continued engagement with industry and client.

Second, PWGSC will remove unnecessary barriers to entry for suppliers through easier access to product samples at bid solicitation. This will introduce more opportunities for suppliers to compete.

Third, by introducing value-added considerations to the bid evaluation process in addition to the lowest price bid, suppliers will have the opportunity to compete on



providing best value and/or lowest price on the bid whereas previously, they were only selected for offering lowest price.

Fourth, PWGSC will improve communication to facilitate the sharing of information between government and suppliers through Buyandsell.gc.ca.

Fifth, PWGSC will improve vendor performance through the Vendor Performance Corrective Measure Policy, and require suppliers to demonstrate a quality management system for more complex, larger dollar-value requirements.

Finally, PWGSC will enhance environmental outcomes through the encouragement of supplier self identification of environmental responsible goods; and introduce appropriate and consistent environmental considerations. This would enable suppliers to be more innovative and therefore, increase competitiveness in the industry. Suppliers who are more innovative and invest in environmental technologies, processes or services will be able to compete in the GC market as well as in other retail markets.

# 1 Purpose

Public Works and Government Services Canada (PWGSC) has engaged key stakeholder groups including government departments and industry, as part of a detailed review of how it procures clothing, textiles and related items on behalf of government departments. The review has identified strengths in the current procurement process; it has also uncovered areas of opportunity that, if leveraged, should benefit government departments, existing and potential suppliers, and Canadians overall. More specifically, standardized approaches to procurement should lead to enhanced transparency, greater efficiency, and more predictability.

This national procurement strategy outlines the strategic direction for procuring clothing, textiles and related items, based on the opportunities identified by key stakeholder groups.

## 2 Definition

The procurement strategy reviews how clothing and textiles is purchased by PWGSC on behalf of government departments. Sub-categories included within this strategy are:

- Clothing and related items (e.g. items such as hats and gloves);
- Badges and Insignia (e.g. insignia used to identify rank within the Canadian Military);
- Uniforms (e.g. RCMP members);
- Footwear;
- Protective Clothing and Equipment (e.g. ballistic vests, diving suits);
- Individual Equipment and Items (e.g. tents, flags, blankets and mattresses)
- Luggage and;
- Textiles

Textiles are purchased by the Government of Canada (GC) for manufacturers to produce clothing items. By purchasing textiles, the GC ensures the uniformity of the colour and availability of fabric for a requirement.

### Excluded from the Definition

This strategy does not include the following goods and services:

- Clothing purchased from CORCAN<sup>1</sup>
  - Clothing purchased from CORCAN is exempt from the Treasury Board contracting policy and the procurement trade agreements and is subject to a process different from the government contract regulations.
- Medical and scientific clothing

For information on how these excluded sub-categories are purchased, contact the category manager listed in the Procurement Allocations Directorate (PAD)<sup>2</sup>.

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<sup>1</sup> <http://www.csc-scc.gc.ca/corcan-catalogue/index-eng.shtml>

<sup>2</sup> <http://pad.contractsCanada.gc.ca>

### 3 Canadian Industry - Market Information

In 2011, the Canadian clothing and textile industry was valued at \$5.8 billion and it remains a strong player in North America largely due to government policies. Despite the decrease in revenues between 2010 and 2011 of 1.2%, this industry remained profitable due to a 1.4% decrease in costs. The economic downturn has had a major impact since the growth of revenues has been negative in 2008 and 2009 (-17% and -20% respectively). Revenues are expected to increase between 0.4% and 1.5% annually until 2016, while costs will grow by 0.3 to 1.6%; consequently, profits are forecasted to rise (Conference Board of Canada, 2012).

In 2010, the Textile Mills industry employed 8,026 people across Canada, the Textile Product Mills industry employed 9,762 people, and the Clothing Manufacturing industry employed 25,670 people, making the total number of employees reach 43,458 (Industry Canada, 2012). In Canada, by December 2011, there were 621 companies in the Textile Mills industry, 1,324 companies in the Textile Product Mills industry and 2,928 companies in the Clothing Manufacturing industry, with the majority of the activity occurring in Ontario and Quebec. For each of these industries, more than 90% of the establishments are small businesses hiring less than 100 employees.

For further information on the market information for the Canadian clothing and textile industry, see Annex A1: Market Review.

### 4 GC Spend Analysis<sup>3</sup>

Over the period of FY 2006/07 to FY 2010/11 the GC spent approximately \$239 million annually on clothing and textiles.

**Table #1. Annual GC Spend on Clothing and Textiles**

SubCategory	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11	5-Year Avg
Protective Clothing & Equipment	\$97.72M	\$83.84M	\$87.99M	\$68.46M	\$64.58M	\$80.52M
Uniforms	\$66.68M	\$77.75M	\$74.85M	\$79.89M	\$69.96M	\$73.82M
Footwear	\$19.44M	\$27.50M	\$37.47M	\$35.48M	\$22.50M	\$28.48M
Textile Products	\$25.87M	\$25.73M	\$26.33M	\$29.93M	\$21.60M	\$25.89M
Clothing	\$12.82M	\$12.01M	\$8.81M	\$11.81M	\$8.99M	\$10.89M
Badges and Insignia	\$6.63M	\$5.72M	\$5.33M	\$5.30M	\$5.95M	\$5.79M
Individual Equipment & Items	\$5.86M	\$5.87M	\$6.56M	\$3.98M	\$5.43M	\$5.54M
Luggage	\$0.75M	\$0.31M	\$0.65M	\$0.65M	\$0.16M	\$0.50M
<b>Grand Total</b>	<b>\$235.76M</b>	<b>\$238.72M</b>	<b>\$247.98M</b>	<b>\$235.51M</b>	<b>\$199.17M</b>	<b>\$231.43M</b>

Combined, protective clothing and equipment (35%), uniforms (32%), footwear (12%) and textile products (11%), represent 90% of total GC spend on this category. The remaining sub-categories account for 10% of the total spend on clothing and textiles.

<sup>3</sup> Source: Spend Cube data based on 5-year average FY 2006/07 to FY 2010/11. The Spend Cube currently contains approximately 87% of all Government of Canada expenditures. This information represents departmental data provided by departmental financial systems. The remaining 13% is assumed using an extrapolation of Public Accounts.

## 5 PWGSC Contract Activity<sup>4</sup>

Table #2. Annual PWGSC Clothing and Textiles Contract Activity by Business Size

Business Size	FY07-08		FY08-09		FY09-10		FY10-11		FY11-12		5-Year Average	
	# of Docs	Amount	# of Docs	Montant								
SMALL (0-99 employees)	387	\$88.91 M	363	\$255.07 M	342	\$53.24 M	254	\$34.74 M	199	\$157.84 M	309	\$117.96 M
MEDIUM (100-499)	174	\$70.25 M	161	\$120.56 M	144	\$58.22 M	99	\$40.94 M	89	\$53.41 M	133	\$68.67 M
LARGE (500+)	63	\$25.65 M	93	\$57.07 M	102	\$11.06 M	83	\$41.05 M	37	\$12.97 M	76	\$29.56 M
UNKNOWN	1	\$0.00M	2	\$0.04 M	0	\$0.00 M	0	\$0.00 M	1	\$0.01 M	1	\$0.01 M
FOREIGN	24	\$2.78 M	27	\$1.20 M	28	\$2.27 M	22	\$2.87 M	28	\$7.20 M	26	\$3.27 M
Grand Total	649	\$187.60 M	646	\$433.94 M	616	\$124.79 M	458	\$119.60 M	354	\$231.43 M	545	\$219.47 M

Evaluating the contracting activity awarded by PWGSC, in clothing and textiles (N84), approximately 85% of the value and 81% of the documents were tendered to Canadian small and medium enterprises (companies with fewer than 500 employees). This is based on a total clothing and textiles awarded value of \$214 million. It should be noted, that procurement totals fluctuate around major procurements, and therefore the trends are severely impacted by major government purchases.

## 6 Summary of the Procurement Processes

### Mandatory Procurement Instruments for Clothing, Accessories and Insignia

The Treasury Board of Canada Secretariat has mandated government departments use purchasing instruments put in place by PWGSC for Clothing, Accessories and Insignia. Uniform consistency is critical to the GC for reasons ranging from ease of identification by the general public (e.g. members within the Royal Canadian Mounted Police) to insignia indicating membership and rank (e.g. badges and insignia within the Canadian Military) to the protection of the government employee (e.g. health and safety requirements being satisfied through adherence to defined technical and design specifications).

Most of the government departments have delegation of authority to a maximum \$25,000 for goods and up to \$2,000,000 for services<sup>5</sup>. PWGSC manages the procurement when government departments' requirements exceed their delegated contracting authorities.

### Contracts

Contracts are the most common procurement instrument for clothing and textiles since contracts commit the GC to a specified quantity of goods or services and this commitment may result in a supplier offering better pricing on the good or service. In addition, contracts can include "as and when requested" quantities for regular and/or special sizes.

<sup>4</sup> Source: Acquisitions Information System (AIS) based on 6-year average FY 2007/08 to FY 2011/12. This system details the committed value (not expense) of contracts, standing offers and other procurement instruments awarded by PWGSC (acting as a common service provider). Clothing and textiles are defined as N84.

<sup>5</sup> Treasury Board Contracting Policy in English:  
<http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=14494&section=text#appC>

## **Consolidated Uniform Contracts**

The Clothing and Textiles Division currently has four consolidated uniform contracts that were awarded on a competitive basis to two contractors, which are Canadian SMEs. Contractors use numerous sub-contractors for the manufacturing of goods and are fully responsible for assuring that production and supply of the uniform items, including fabrics, patterns and necessary insignia and badges attached to the finished goods, are in accordance with the specifications.

## **Standing Offers**

Multiple standing offers may be used to fulfill a government department requirement and takes into consideration requirement size, and industry's capacity. The standing offer call-up limit depends on government department funding, unit cost and usage frequency, standing offer value, and best value for money. Clothing and textiles competitive standing offers have generally established call-up limits of \$400,000 per order for goods and \$40,000 in non-competitive situations. For standing offers, PWGSC requests suppliers provide usage reports every three months to ensure a degree of control over total expenditures.

## **Low Dollar Value Requirements**

Requirements below \$25,000, including all applicable taxes, are considered to be low dollar value (LDV) procurements. In June 2012, the Minister of PWGSC finalized the delegation of authorities to procure LDV transactions for departments. Departments can handle LDV procurements under their delegated authorities, while the acquisition program provides services and support departments in pursuing transactions and delivering services.

## **Duration and Optional Quantities**

The duration of a contract has a minimum established amount of time, which is usually one year plus option years and may include additional provisions for optional quantities to be exercised within specified timeframes. Generally, no more than three optional quantities are included in a contract. The resulting contract creates a good planning timeframe for industry and government departments. For requirements involving raw materials whose cost may be more difficult to forecast, the option quantities and timeframe may be shorter than the commonly used four-year timeframe.

## **Minimum Order Quantities on Standing Offers**

PWGSC established instruments on behalf of government departments that do not commonly use minimum order quantities because government departments require flexibility for ordering clothing in small amounts such as for special sizes.

## **Canadian Content Policy and Rules of Origin**

To assist in the support of Canadian industry, clothing and textile requirements are aided by domestic preferences contained in international trade agreements. For the Department of National Defence (DND) and the Royal Canadian Mounted Police (RCMP), PWGSC applies the Canadian content policy, in which a requirement can be solely limited to Canadian origin goods and/or services, when there are at least three known, capable suppliers of Canadian goods and/or services. If fewer than three bids or offers are received from suppliers offering Canadian goods and/or services, then responses from suppliers offering other than Canadian goods and/or services are considered. Rules of Origin are used to determine the country of origin of a product for purposes of international trade (See Annex 2.1.3: Rules of Origin). For most clothing

and textile procurements for DND and RCMP, PWGSC endeavors to require a minimum of 80% of the total bid/offer price for the goods and/or services be Canadian.

## **7 Summary of Analyses of Supplier and Government Department Feedback**

Based on market research and spend analyses, the following observations were made with respect to the Clothing and Textiles category:

- Clothing and Textile requirements are purchased effectively and the GC is receiving good value;
- The GC primary method of supply for this category is contracts and both industry and government departments prefer this approach;
- The typical evaluation approach for this category relies on adherence to defined specifications and cost; and
- Small and Medium Enterprises are the core supplier base for clothing and textiles.

From the analyses conducted, PWGSC will improve procurement processes by:

- Reviewing repetitive individual procurements actioned by PWGSC on behalf of government departments to see if there are opportunities for amalgamating requirements;
  - Reducing entry barriers to the GC market with regards to viewing sealed samples and the production of pre-award samples. Ease of access to samples, pre-award sample timelines and pre-award sample costs affect a new supplier's ability to compete for an award.
- Reducing administrative burden on client departments by including the opportunity for optional quantities of the same items in the contracts.
- Evaluating methods to incorporate value-added services and environmental considerations as criteria beyond lowest price compliant bid;
- Enhancing communication regarding tools and processes between PWGSC, government departments and suppliers; and
- Including more environmental considerations in solicitation documents and communicating PWGSC's direction with respect to green procurement for clothing and textiles.

## **8 Action Plan**

The basis of the following action plan is the adoption of a continuous improvement strategy. Direction associated with each strategic element is provided in the following sub-sections.

### **8.1 Demand Management**

#### **Strategic Direction**

The use of consolidated clothing contract is a mechanism that PWGSC will consider using in the competitive process to meet the clothing and textile requirements of government departments. When consolidated contracts are considered as the preferred mechanism, industry will be consulted (e.g. Request for Information) and their feedback

used as part of a risk analysis that will be performed in collaboration with the client departments; and this will be part of the decision-making process on whether or not to implement consolidated contracts, which will be managed in a consistent manner for all consolidated procurement requests. Consultation with industry is part of the overall communications strategy and activities (See section 8.4: Communications) to enhance innovation. This strategic direction will be reviewed and may be adjusted over the life of the strategy to ensure that the needs of the client departments and industry are met.

## **Context**

Currently there are four government departments participating in the consolidated uniform contracts and each department has their unique requirements respected within the program. In total there can be over 1,000 items of clothing items purchased for more than 177,000 government employees. These statistics identify opportunities to expand the program using competitive processes to include the clothing and textile requirements of additional government departments. The benefits for the GC moving towards consolidated management approach include:

- Savings through lower unit prices. Greater volume on a procurement instrument results in lower unit prices from a supplier due to economies of scale;
- Savings through reduced administrative costs (e.g. eliminating duplicated contracting tasks); and
- Savings through lower overhead costs (e.g. warehousing and quality assurance functions).

Government departments that use consolidated contracts are satisfied with the results as it minimizes workload in processing numerous requisitions for individual items. It also provides an opportunity to be innovative with product improvement and reduces the risk of not having any required items in stock.

Suppliers who favoured consolidated uniform contracts felt that they would simplify the procurement process by eliminating unnecessary bureaucracy; reduce overall business costs and improve supplier efficiency and ultimately, provide better value to government departments; and create a stable production environment.

Suppliers who did not favour consolidated contracts felt that they would result in only large enterprises being able to meet federal government department demands; and potentially reduce competition and lead to monopolies. However, this is not the case as PWGSC supports SMEs in consolidated contracts and SMEs have the capacity to manage the multitude of items and handle the efficiency required to meet client satisfaction for specific and high performance standards. The greatest part of the contract for the consolidated uniform contracts is redistributed by the contractors to their sub-contractors. This has been reflected in the Spend data (Table 2) where in evaluating the contracting activity awarded by PWGSC, approximately 85% of the value and 82% of the documents were tendered to Canadian small and medium enterprises. Therefore, consolidated uniform contracts are accessible to SMEs and presently only SMEs have consolidated uniform contracts.

Suppliers also felt that they could not promote new and innovative products and that communication would be reduced between suppliers who develop the goods and the government department. However, it should be noted that consolidated uniform contracts do not preclude direct communications between clothing manufacturers and

the client departments regarding requirement specifications and innovative solutions to clothing and related items.

Also, to protect the Canadian clothing industry, PWGSC ensures that the procurement process of the consolidated uniform contracts respects the Canadian Content Policy when applicable.

### Implementation Plan

Throughout the life of the National Goods and Services Procurement Strategy, PWGSC will continuously review the actual results versus what was anticipated and make necessary changes to ensure the action plan achieves the desired results.

PWGSC will implement as follows:

Activity	Timeframe
PWGSC will develop evaluation criteria to support small and medium enterprises' (SMEs) opportunity to compete as the prime vendor in consolidated contracts.	FY 2013/14
As part of the communications strategy to enhance innovation, PWGSC will publish Letter(s) of Interest and hold Industry Day(s) to invite the industry to propose improvements for future consolidated contracts.	FY 2013/14
The Clothing and Textiles Division of PWGSC will work with the Office of Small and Medium Enterprises and Strategic Engagement (OSME-SE) in PWGSC to publish information on Buyandsell.gc.ca to inform government departments and industry about consolidated contracts.	FY 2014/15
PWGSC will conduct a comprehensive review of the concept of consolidated clothing contracts and will focus the review on the following topics: a) The basis of payment to allow for a price adjustment for the extended period using the Consumer Price Index published by Statistics Canada; b) Ensuring integrity in the competitive process when the client department adds a new item(s) and that the Government of Canada receives best value.	FY 2014/15

## 8.2 Access to the Government of Canada Market

### 8.2.1 Optional Quantities

#### Strategic Direction

PWGSC will implement a consistent national approach for optional quantities in clothing and textiles procurement instruments as follows:

- Optional quantities will be identified in the requirement i.e. Request for Proposal;
- Contracts will have a maximum four-year duration including optional years. A four-year contracting period has been identified by PWGSC as a good planning timeframe for industry and government departments; and
- PWGSC will normally allow bidders at the solicitation phase to submit firm pricing for firm quantities and different pricing for each subsequent year for the optional quantities, to ensure competitive pricing.

PWGSC will consider the following when determining the optional quantities to include in a procurement instrument:

- Degree of competition available in the industry for the good or service required and industry's capacity to deliver;
- Opportunity for return on investment for the successful bidder, including the administrative efforts by suppliers to produce bids; and
- Facilitation of the procurement process for government departments to effectively use a given procurement instrument over a longer period of time.

### Context

The majority of contracts established by PWGSC for clothing and textile requirements include options, usually in the form of additional quantities, beyond the guaranteed minimum order to be fulfilled by suppliers in the first year. The concept of optional quantities simplifies the procurement process for government departments and satisfies suppliers. This allows continued access to the same products without making a commitment beyond the guaranteed minimum order of quantities stipulated for the first year. Due to budget restraints or unforeseen events, there is no guaranteed work order beyond the first year of the contract. Options provide an optimum balance for suppliers since they do not have to go through a competitive process on a yearly basis and their manufacturing/production planning is not disrupted. At the same time, client departments are able to get the same products on a timely basis without having to go through a competitive process.

PWGSC is aware that the use of optional quantities can impact potential new entrants into the GC market by reducing the frequency of new solicitations. Therefore, careful consideration needs to be given to individual requirements by the GC prior to exercising any optional quantities.

### Implementation Plan

PWGSC will implement as follows:

Activity	Timeframe
PWGSC will ensure that the Clothing and Textiles Division will have a consistent national approach for optional quantities as a pilot program. Its progress will be monitored, reviewed and adjusted based on regular engagement and feedback with client departments and suppliers.	FY 2013/14
PWGSC will use Buyandsell.gc.ca to communicate the consistent national approach regarding optional quantities in clothing and textiles procurement.	FY 2015/16

## 8.2.2 Sealed Samples and Pre-Award Samples

### Strategic Direction

#### Sealed Samples

PWGSC will work with suppliers and government departments to ensure reasonable access and timelines for viewing sealed samples by potential bidders.

#### Pre-award Samples

PWGSC will continue to require pre-award samples from bidders to ensure quality and to ensure specifications for requirements are met. To confirm a bidder's capability to meet technical requirements, PWGSC will require the bidder's pre-award sample:

- a) accompany the supplier's bid for a regular solicitation; or
- b) be submitted after the bid closing date for solicitations. This requirement applies when suppliers have already submitted their sample on a previous requirement and

their sample is compliant. PWGSC retains their sample along with the evaluation report so that they do not need to re-submit a new sample unless the requirement changes. This process is intended to reduce a supplier's expense (time and resources).

## **Context**

### **Sealed Samples**

PWGSC makes all reasonable efforts to ensure that sealed samples are available for viewing at various PWGSC regional offices during the bid solicitation process. Potential bidders can contact PWGSC during the bid solicitation period to request that a sample be made available at a PWGSC regional office near their location, ensuring equal access to the GC market for new entrants as well as existing suppliers. In the event a potential bidder cannot visit a government office, PWGSC will make all reasonable efforts to accommodate the bidder to view samples.

### **Pre-award Samples**

The pre-award sample is used to assess the technical capability of the bidder to meet the technical requirement. Rejection of the pre-award sample can be the basis for declaring a bid as non-responsive.

A pre-award sample allows for early identification of a product not meeting required specifications. In the absence of a pre-award sample, the recognition that a supplier's product does not satisfy the requirement would only occur at production, resulting in potentially high supplier investment cost on production runs and raw materials in an effort to correct the product.

## **Implementation Plan**

PWGSC will implement as follows:

<b>Activity</b>	<b>Timeframe</b>
PWGSC will review new requirements with government departments to determine if substitutions and/or deviations would be acceptable for the suppliers' pre-award sample (e.g. colour, fabric type). Solicitations will clearly state if substitutions or deviations will be accepted. Substitutions will be allowed when, for financial or technical reasons, it will be difficult for bidders to provide a pre-award sample that is fully representative of the requirement.	FY 2013/14
PWGSC will identify requirements that will have samples accessible electronically. For consideration are requirements that are subject to NAFTA; requirements including a large volume of similar items such as badges; and requirements that have an insufficient number of samples available for suppliers to view.	FY 2014/15
PWGSC will review how pre-award samples can be evaluated in a more reasonable manner taking into consideration the requirement specifications and the certificate of compliance.	FY 2014/15

## **8.3 Bid Evaluation Methods**

### **Strategic Direction**

PWGSC will include methods of supplier selection for contract awards that are not strictly based on lowest price, but also on best value. This means including point-rated criteria, where selection of supplier takes into consideration the quality of

goods/services, price or a combination of both requirements. In other words, a contract will not be awarded solely based on the lowest priced supplier, who meets mandatory qualifications. PWGSC will work with government departments to ensure best value, which includes value-added services e.g. client service, warehousing or distribution services although each solicitation will be individually assessed.

**Context**

Government departments and industry have indicated that generally, PWGSC awards on lowest price as long as the supplier meets mandatory criteria. However, based on specific government department requests, PWGSC has started to incorporate measurable value-added evaluation criteria, which includes the estimated quantity and hourly rate/year (e.g. for repair services). PWGSC will extend this type of evaluation criteria for future solicitations by all government departments.

For information regarding PWGSC’s bid solicitation process, see Annex 2.1.1: Bid Solicitation Process.

**Implementation Plan**

PWGSC will implement as follows:

Activity	Timeframe
PWGSC will identify which value-added services are in demand by government departments and which ones suppliers can provide.	FY 2013/14
PWGSC will meet and work with government departments to determine how to effectively incorporate value-added services and/or innovation into appropriate bid solicitations.	FY 2013/14

**8.4 Communication**

**Strategic Direction**

PWGSC will implement a formal communication process amongst PWGSC, industry and government departments to facilitate collecting feedback and sharing information on the procurement process for clothing and textiles. The primary tool for communication will be Buyandsell.gc.ca.

**Context**

Government departments and suppliers appreciate the opportunity to provide feedback and request PWGSC continue with regular engagements. Continuous communication will ensure that potential issues and opportunities for process improvement can be identified and addressed early. At the same time, perceived barriers will be eliminated with the communication plan.

Stronger communication channels should permit PWGSC to become involved earlier in government departments’ procurement planning, leading to smoother and reasonable procurement timelines as well as earlier identification of opportunities for improvement. In particular, by having a more accurate description of the product requirements and by encouraging regular communications between clothing manufacturers and the client departments, except during tendering, perceived communication barriers should be addressed. Government departments are encouraged to identify to PWGSC issues or concerns, which will be escalated by PWGSC as needed. In turn, this should lead to

smoother interaction with industry, providing all an opportunity to offer comments and suggestions on how to improve the overall process.

### Implementation Plan

PWGSC will implement as follows:

Activity	Timeframe
PWGSC and government departments will improve the descriptions of goods required by including information such as accurate detailed drawings, pictures, and reference colours.	Starting FY 2013/14
PWGSC will promote the use of the Clothing and Textiles Division's general email account. Buyandsell.gc.ca will be one communication method.	Starting FY 2013/14
PWGSC will participate in site visits, fairs and trade shows to stay current with clothing and textiles.	Starting FY 2014/15
The Clothing and Textiles Division of PWGSC will research and if feasible, with the Office of Small and Medium Enterprises and Strategic Engagement (OSME-SE), will create a clothing and textiles section accessible to both government departments and suppliers on Buyandsell.gc.ca. Within this clothing and textiles section, links to Buyandsell.gc.ca material relevant to clothing and textiles, such as specific references in the supply manual and information on recent contracts and commercial agreements, can be presented.	FY 2015/16
PWGSC will share expertise on innovations regarding new textiles including environmental leadership on Buyandsell.gc.ca	FY 2015/16

## 8.5 Vendor (Supplier) Performance

### Strategic Direction

PWGSC will:

- Continue to monitor supplier performance post contract award to ensure suppliers adhere to all contractual terms and conditions. There will be the validation that pre-production samples and production samples match pre-award bid submission samples and other mandatory requirements, such as, verification of actual Canadian content.
- Introduce the requirement for suppliers to demonstrate a quality management system for more complex, larger dollar-value requirements over the 5-year life of this National Goods and Services Procurement Strategy.

### Context

PWGSC has a Vendor Performance Corrective Measure Policy<sup>6</sup> to assist with mitigating procurement risk. A fundamental principle of this policy is the fair, open and transparent treatment of suppliers.

Supplier performance clauses will enable government departments to receive their products and services that meet their requirements, and provide a standardized process for remedial action should performance issues occur. It will also allow suppliers to receive meaningful feedback on their contractual performance and support the development of positive ongoing relationships.

<sup>6</sup> [www.tpsgc-pwgsc.gc.ca/app-acq/arp-pns/ap11r1-pn11r1-eng.html](http://www.tpsgc-pwgsc.gc.ca/app-acq/arp-pns/ap11r1-pn11r1-eng.html)

PWGSC plans to carefully begin the implementation of a requirement for suppliers to have a quality management system in place. PWGSC is aware that this may represent a significant step for some suppliers.

### Implementation Plan

PWGSC will implement as follows:

Activity	Timeframe
PWGSC will meet with government departments to determine and implement acceptable evaluation criteria to measure quality control.	FY 2014/15
PWGSC will introduce into complex, high dollar-value solicitations requirement for suppliers to demonstrate a quality management system.	FY 2016/17

## 8.6 Environmental Considerations

### Strategic Direction

PWGSC will continue to incorporate, on an incremental basis, appropriate and consistent environmental considerations in the procurement process for clothing and textiles by:

- Demonstrating environmental leadership of influencing suppliers and government departments to use environmentally preferable goods, services and processes while striving for the optimal balance of government department requirements, supplier capacity and ensuring value to Canadians;
- Integrating its strategic environmental direction for clothing and textiles through a Green Procurement Plan scorecard and publishing and updating it at: <http://www.tpsgc-pwgsc.gc.ca/app-acq/ae-gp/paer-cgpp-eng.html>; and
- Providing government departments the flexibility to introduce greening requirements into their solicitations through green point-rated criteria.

### Context

The National Goods and Services Procurement Strategy aims to raise the awareness of environmental issues among suppliers and demonstrate that the federal government is endeavouring to implement its Policy on Green Procurement<sup>7</sup>. The policy strives to enable government to procure, operate, and dispose of its assets in a manner that protects the environment and supports sustainable development objectives.

The development of appropriate and consistent environmental considerations, and subsequent incorporation in clothing and textile solicitations and contract documents, will simplify the process for all stakeholders and be contributing factors in helping the GC meet the objective of the Policy on Green Procurement. Although supportive, both suppliers and government departments have stressed the need for a measured approach to implementing green initiatives to allow time for industry to adapt.

PWGSC will continue to improve the process for suppliers to self-identify environmentally responsible goods although it is not the intention of PWGSC to introduce these as mandatory criteria. Suppliers will be asked to identify the item(s)

<sup>7</sup> [www.tpsgc-pwgsc.gc.ca/ecologisation-greening/achats-procurement/politique-policy-eng.html](http://www.tpsgc-pwgsc.gc.ca/ecologisation-greening/achats-procurement/politique-policy-eng.html)

being proposed that meet the "Green Product" and/or "Green Company" Guidelines below. A Green Product is any product that has been certified through any legitimate "ecolabelling program" that will be considered by PWGSC as being "green" or "environmentally responsible". A Green Company is defined as a company having an Environmental Management System (EMS) in place at a production facility. Manufacturers must operate with an EMS certified by a qualified registrar as complying with the ISO 14001 standard.

PWGSC realizes that the degree to which some categories of product can be changed to include more environmentally-friendly alternatives may be limited by the very nature of their function, operational requirements and need for uniformity.

### Implementation Plan

PWGSC will implement as follows:

Activity	Timeframe
PWGSC will determine the environmental considerations that exist in the clothing and textile industry.	FY 2013/14
PWGSC will develop standardized bid evaluation criteria for more complex requirements to ensure environmental considerations are evaluated. Included in this will be examining methods of disposal / recycling of clothing and textiles.	FY 2014/15
PWGSC will implement electronic invoicing <sup>8</sup> .	FY 2014/15
PWGSC will inform government departments about environmentally preferred products and packaging on Buyandsell.gc.ca.	FY 2015/16

## 8.7 Preparation for an Emergency Situation

### Strategic Direction

PWGSC will continue to work closely with client departments and industry to prepare for emergency situations. PWGSC has a clear understanding of industry's capacity to respond to the needs of client departments. The following scenario is an example of aligning the expectations of client departments and industry in the event of an emergency. In a domestic or international emergency where there is a humanitarian disaster e.g. earthquake; snow storm or ice storm; and biological, radiation, nuclear and chemical disaster, the government such as Emergency Preparedness Canada and DND responds by providing for intermittent needs including temporary shelter e.g. tents and clothing. By considering such a scenario, the government can anticipate responding to such emergencies efficiently and effectively. This scenario may encourage industry to be innovative in manufacturing better temporary housing structures and being able to respond to such disasters with very short notice.

## 9 Final National Goods and Services Procurement Strategy

This strategy will be in effect from 2013 to 2018 and will be subject to periodic reviews. A comprehensive review will take place in 2017.

<sup>8</sup> Electronic invoicing is an element of the Green Procurement Plan scorecard.

## **Annex A: National Category Review - Clothing and Textiles**

### **A1 Market Review**

The Canadian clothing industry has remained a strong player in North America largely due to government policies (Conference Board of Canada, 2012). However, from 2003 to 2009, this industry had been negatively impacted from a drop in exports (Industry Canada, 2012). Furthermore, this industry's performance is expected to worsen in the near future as imports from countries such as China and Bangladesh continue to grow (Conference Board of Canada, 2012).

For its part, the Canadian textiles industry has a good ability to adapt and provide creative and innovative solutions and products. Similar to the clothing industry, the Canadian textile industry is strongly affected by competition from emerging markets for its exports (Conference Board of Canada, 2012).

The clothing and the textile industries are both very competitive. On one hand, the clothing industry is highly competitive because of consumers' power over products, low concentration levels, low barriers to entry and competition pressure from cheap imports; on the other hand, competition in the textile industry is primarily attributed to the fragmented nature of the market, the high exit cost and low product differentiation. Firms generally compete primarily on the basis of price, product, service and quality. Moreover, the recent economic recession has put additional pressure on the already fragile textile manufacturers. (Datamonitor, 2012; IBISWorld, 2010; First Research, 2012)

Demand in the clothing industry is influenced largely by the current economic condition, the level of consumer spending, demographic trends, quality, fashion and brand strength also play an important role in affecting demand (IBISWorld, 2010; First Research, 2012). Supplier power is weak because of the labour intensity of the industry offering low wages compared to others, the fragmentation with a certain lack of diversity among suppliers and the liberalization of trade enhancing international competition (Datamonitor, 2012).

For the textiles industry, demand originates mostly from the economic prosperity of downstream manufacturers and influenced by the level of technological innovation, consumer disposable income, and competition from imports (IBISWorld, 2010; First Research, 2012). Supplier power is weakened because textiles manufacturers diversify their supply base and buy different types of fibre from completely different suppliers. (Datamonitor, 2012).

Overall, the clothing and textiles industries have their standards and regulations in place to address concerns ranging from access to high quality, affordable products, through to their safe and appropriate use and disposal. There are also laws and regulations that outline the duties and responsibilities of the employer and employees pertaining to occupational health and safety.

## **A2 Current PWGSC Procurement Analysis (additional information)**

### ***A2.1 Bid Solicitation, Evaluation and Supplier Selection***

#### **A2.1.1 Bid Solicitation Process**

The bid solicitation process for clothing and textiles requirements is generally consistent.

The Government Contract Regulations (GCRs) require the competitive soliciting of bids before any contract is entered into, though GCRs do provide for exceptions.

A decision to fulfill a requirement non-competitively (sole-source) must be fully justified by the government department with reference to the applicable exception to the competitive bidding process under the GCRs, the Financial Administration Act, the limited tendering provisions of Canada's national and international trade agreements, and the provisions under the Comprehensive Land Claims Agreements (CLCAs). While the client provides the rationale for an exception to the competitive process, it is the responsibility of the contracting officer to assure that the rationale can be adequately supported.

Whenever possible, contracts must be selected using a competitive process. It is the contracting officer's responsibility to select the most effective process for notifying suppliers of an opportunity by taking into consideration the requirements of the trade agreements and the contracting policies in the Supply Manual.

Depending on the individual requirement and government department preference, some solicitations include point-rated criteria.

A pre-award sample of the item is usually requested with the bid or after the bid closing date to confirm the bidder's capability of meeting the technical requirements.

#### **A2.1.2 Aboriginal Access (PSAB<sup>9</sup> – CLCAs<sup>10</sup>)**

Aboriginal firms are offered the same access to view and bid on opportunities as non-aboriginal firms. In collaboration with government departments and suppliers, PWGSC ensures that the objective of the Procurement Strategy for Aboriginal Businesses (PSAB) and Comprehensive Land Claims Agreements (CLCAs) are integrated into the procurement decision-making process.

PWGSC will continue to work with government departments and suppliers to ensure potential aboriginal bidders are notified during bid solicitation periods, specifically if the opportunity is applicable to the PSAB and CLCAs.

In the consolidated uniform contracts, it states that, should deliveries be for CLCA areas, the requirement should be sent to PWGSC for separate procurement.

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<sup>9</sup> PSAB = Procurement Strategy and Aboriginal Business

<sup>10</sup> CLCAs = Comprehensive Land Claim Agreements

### **A2.1.3 Rules of Origin**

There are rules of origin that apply separately to textiles and apparel.

#### ***Rules of Origin - Textiles***

With reference to the Canadian Content Certification clause, item(s) listed in a solicitation are considered to be Canadian goods if they meet the following definition: Textiles and textile articles classified in Chapters 50 to 60 inclusive of the Harmonized System that are woven, knitted or otherwise manufactured from yarns or fibres in Canada, and further processed in Canada by dyeing, finishing, coating or other processes as applicable, will be considered Canadian textiles. Woven fabrics of 100% cotton or of polyester and cotton blends that are dyed and finished in Canada will be considered Canadian.<sup>11</sup>

#### ***Rules of Origin - Apparel***

With reference to the Canadian Content Certification clause, apparel goods are considered to be Canadian goods according to the North American Free Trade Agreement Rules of Origin as follows: Apparel goods classified in Chapters 61 and 62 of the Harmonized System that are both cut (or knit to shape) and sewn in Canada will be considered Canadian goods.<sup>12</sup>

### **A2.1.4 Specifications**

The procurement of clothing and textiles is mostly governed by specifications. Specifications may include standards such as Canadian General Standards Board (CGSB) standards<sup>13</sup>, American National Standards Institute (ANSI) standards<sup>14</sup>, and National Institute of Justice (NIJ) standards<sup>15</sup>.

### **A2.1.5 Contract Financial Security**

Clothing and textiles solicitations may include a contract financial security clause to help ensure that goods are delivered within the specified delivery schedule of the contract. The GC contract financial security clause informs a supplier that if its bid is accepted, the GC may request a security deposit in the amount of up to ten percent of the contract price. If a supplier cannot deliver the goods within the defined delivery period, then the security deposit may be surrendered.

## **A3 Vendor (Supplier) Performance**

Supplier performance is monitored on an on-going basis by PWGSC contracting officers in collaboration with the client government department. PWGSC will act as an intermediary between the supplier and government department to ascertain the severity of the issue. The actions of PWGSC can range from documenting the performance in the supplier's history file maintained in the Vendor Information Management (VIM) system through to contract termination for default.

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<sup>11</sup> Clothing and Textiles Division within Commercial and Consumer Products Directorate, CASMS of PWGSC

<sup>12</sup> Clothing and Textiles Division within Commercial and Consumer Products Directorate, CASMS of PWGSC

<sup>13</sup> <http://www.tpsgc-pwgsc.gc.ca/ongc-cgsb/publications/catalogue/cat2011-eng.html>

<sup>14</sup> [www.ansi.org](http://www.ansi.org)

<sup>15</sup> [www.ojp.usdoj.gov/nij/topics/technology/standards-testing/welcome.htm](http://www.ojp.usdoj.gov/nij/topics/technology/standards-testing/welcome.htm)

Commonly used supplier performance measures include:

- Random spot checks with government departments;
- Investigation of a government department's claims;
- Quality of goods and deliveries;
- Comparison of received invoices against delivery slips; and
- Monitoring of invoices.

Failure by a supplier to fulfill its contractual obligations can impact a supplier's ability to bid on future opportunities and/or the application of a vendor performance corrective measure<sup>16</sup>.

## **A4 Clothing Advisory Service for Uniforms**

As part of PWGSC, the Clothing Advisory Service (CAS) group provides technical, design and consultation services relating to uniforms and ancillary components acquired by government departments. Government departments involve the CAS technical authority with requirements as needed.

CAS can provide assistance with all uniform requirements and provide technical expertise in the procurement process which may include garment design, prototype manufacturing, specifications, product improvement, quality assurance, inspection, and production control.

CAS is in regular communication with industry and is knowledgeable on industry trends. Additional information on the role of the CAS can be found in Appendix A of the National Joint Council website<sup>17</sup>.

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<sup>16</sup> Policy Notification PN-11R1 dated November 4, 2010 is to be referenced for the Vendor Performance Policy (VPP): <http://www.tpsgc-pwgsc.gc.ca/app-acq/arp-pns/ap11r1-pn11r1-eng.html>.

<sup>17</sup> <http://www.njc-cnm.gc.ca/directive/index.php?did=11&lang=eng>

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