



Summary of Feedback and Outcomes from the Industry Engagement Process for

Sample Collection, Testing, and Consulting Services for Crude Oil and Petroleum Products

Letter of Interest
T8121-160031/B

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1. Introduction

On 19 August 2016, PWGSC published a Letter of Interest (LOI) on the GETS seeking to engage with Industry (“Participants”) on behalf of Transport Canada (TC). As part of that engagement, Participants were asked to provide a written response to questions related to both the technical aspects of the Work to be undertaken and the procurement strategy. A draft Request for Proposal (RFP) was provided, which included the Statement of Work, Evaluation Criteria and the Basis of Selection.

The purpose of the Industry Engagement was threefold:

- a) to provide Participants with general information about the requirement;
- b) solicit feedback from Participants about their capability to undertake the requirement based on the draft Request for Proposal; and,
- c) consult with Participants on ways to improve the solicitation, and increase accessibility and fairness to all potential suppliers.

Participants were encouraged to ask questions and provide comments with the objective to receive feedback that may be incorporated into the solicitation document, creating a procurement that is fair and transparent to suppliers, enhances competition, and results in best value to Canada.

The publication of this document and resulting RFP effectively concludes the Industry Engagement process. The information gathered through this process was considered when finalizing the procurement strategy and should meet the needs of the Government of Canada and be compatible with Industry standard practices.

2. Requirement

The services will be provided on an “as and when requested” basis through Task Authorizations. The requirement addresses two areas:

- a) The sample collection, testing and analysis of crude oil and petroleum products in a manner that preserves its integrity and composition, including all dissolved gasses; and,
- b) Consulting services on:
 - selecting crude oil types and sample sites,
 - proper sample collection and handling,
 - development and selection of means of containment for transport,
 - testing procedures,
 - general knowledge on industry practices

Services will be delivered to the National Capital Region. Services will be required from date of contract award to 31 March, 2018 with three option periods of one year each.

3. Industry Engagement Process

Industry Engagement Period	<ul style="list-style-type: none"> • Posting of Letter of Interest (LOI): 19 August 2016 • Responses to LOI requested: 7 September 2016 • Estimated Publication of Summary of Feedback and Outcomes: 18 October 2016 • Estimated Publication of the Request for Proposal: 1 November 2016
Participants	<p>Four organizations provided responses to the LOI:</p> <ul style="list-style-type: none"> ➤ Alberta Innovates – Technology Futures ➤ Maxxam Analytics International Corporation ➤ Saskatchewan Research Council ➤ SGS Canada Inc.

4. General Overview of the Industry Engagement Process Feedback

The consultative process provided Participants with an opportunity to participate in the procurement process by providing comments, questions and recommendations for improvement of the Draft RFP, as well as seek clarification on technical issues.

Participants provided valuable feedback on technical details of the RFP as well as the proposed procurement strategy. Canada has adjusted some requirements to address technical questions, and some changes have been made to the RFP to address key issues raised by Participants. The final RFP better describes Canada’s requirements in relation to the technical capability available in the industry.

This document summarizes the feedback received during the Industry Engagement Process and the outcome on the RFP.

5. Summary of Feedback and Outcomes

The following represent questions posed in the Letter of Interest and the resulting responses from Industry. Not all questions posed by Canada were answered by Industry; and not all answers represented a conflict. Administrative questions have been removed.

SECTION 1: General	
1.3	<i>Do you have a relationship with various petroleum producers’ that would allow you to access their sites for the purpose of sample collection?</i>
Participants	<p>All participants have relationships with petroleum producers at various levels to ensure access to sites for sample collection.</p> <p>One participant did identify a potential issue in obtaining approval from petroleum producers to both access their site(s) and the collection of the sample. Specifically, what</p>

	was the intent of the sample collection and would there be potential liability associated with the end use of the sample.
Outcome	Transport Canada will provide a Letter of Introduction, at the request of the Contractor, to be provided to petroleum producers identifying the purpose of the project, the end use of the sample and describe how Canada will protect the identity of the petroleum producer. Canada's only interest is in the characterization of the crude oil sample.
1.4	<i>Would you be interested in either: a) responding in writing only; or b) one-on-one face-to-face meetings; or both to further discuss the requirements for the Request for Proposal? Please indicate your interest.</i>
Outcome	Canada set up one on one meetings with each participant; the issues raised and resolutions are detailed below, where applicable.

SECTION 2: Statement of Work (SOW)	
2.1	<i>Are any aspects of the Statement of Work unclear?</i>
Participants	<p>The following items were identified:</p> <p>2.1.2 In article 5.3, it states that time constraints may require that the MOC selected be certified and that no equivalency certificates be required. One of the MOC's we use currently has an equivalency certificate that expires in 2017 and therefore would have to be renewed. Is this permissible?</p> <p>2.1.3 One of the requested tests is unusual for crude oil and requires clarification on why it is being requested. ASTM D6579 is intended for polymers and heavy plastics; why is this desired?</p>
Outcome	<p>2.1.2 – This is permissible, but the recertification process should begin before the certificate expires, keeping in mind the time it takes for the process to be completed.</p> <p>2.1.3 – Transport Canada clarified this point with all participants. The list of tests provided was illustrative, representing a broad brush approach to the potential tests that may be required under an individual task authorization. The identified tests should not be considered a firm commitment, as test requirements will be defined in the Task Authorization(s) and will be specific to the individual projects therein.</p> <p>The intent is to seek the advice of the Contractor on the particular test methods. The intent is to use ASTM D6579 for residue from crude oil fire tests.</p>
2.3	<i>What, if any, additional information would you need to see included in the Statement of Work?</i>
Participants	<p>While the Statement of Work, as written, was sufficient to submit a bid, several participants felt that identifying the following information would enhance their ability to respond:</p> <ul style="list-style-type: none"> a) The minimum work volume information (unclear if this was labour or samples). b) The estimated volume and number of samples to be tested annually. c) The anticipated geographic locations for sampling.

<p>Outcome</p>	<p>While Canada appreciates the concerns identified, it is not possible to define the specific information requested:</p> <p>A contract with Task Authorizations (TAs) is a method of supply for services under which all of the work or a portion of the work will be performed on an "as and when requested" basis through predetermined conditions including an administrative process involving task authorizations.</p> <p>Contracts with TAs are used in service contracting situations when there is a defined need by a client to rapidly have access to one or more categories of service(s) that are expected to be needed on a repetitive basis during the period of the contract. Under contracts with TAs, the work to be carried out can be defined but the exact nature and timeframes of the required services, activities and deliverables will only be known later during the period of the contract. A TA is a structured administrative tool enabling PWGSC or a client to authorize work by a contractor on an "as and when requested" basis in accordance with the conditions of the contract. TAs are not individual contracts.</p> <p>We can say that:</p> <ul style="list-style-type: none"> a) TC intends to acquire approximately 5000L of medium crude by late January 2017 and another 2500L each of 3 different kinds of crude later in the year; however, this is subject to change depending on TC's requirements. b) Geographic locations for crude sampling will likely be concentrated in oil producing regions and where major transloading operations occur, but anywhere along the supply chain is possible. Sampling locations are subject to TC's research needs. These locations will be in Canada and could also be in the U.S. c) The estimated budget associated with the initial period of the contract is up to \$1.3M.
<p>2.4</p>	<p><i>Do you currently have the resources to perform the work (i.e., materials, equipment, skilled personnel)? If not, are you willing to make the necessary investment to obtain the resources?</i></p>
<p>Participants</p>	<p>Two participants indicated they had all the necessary resources to perform the work; one participant indicated they would have to invest an estimated <\$10K; and, one participant indicated they had 50-60% of the requirements, and are willing to acquire the remaining resources contingent upon a minimum work guarantee that would allow recovery of the investment and provide a reasonable return on investment (ROI).</p>
<p>Outcome</p>	<p>Transport Canada does not recommend investing in new resources in advance of the Work, based on the nature of a Contract with Task Authorizations (see above).</p> <p>In terms of a minimum guarantee, the resulting contract clauses will provide for a minimum guarantee.</p>

<p>2.5</p>	<p><i>What Resource Categories will be required to perform the work defined in the Statement of Work at articles 5.1 to 5.6?</i></p>
<p><i>Participant</i></p>	<p>All participants indicated they had the necessary resource categories to perform the work and/or would either hire or subcontract for any resource category that arises from a specific Task Authorization Form.</p> <p>In addition, one participant defined the following: sampling technologists, laboratory technologists, project manager, research personnel with applicable expertise, shipping and receiving personnel and administration.</p> <p>This participant also indicated other, non-labour resources:</p> <p>Equipment: means of containment for crude oil and petroleum products, sampling equipment such as sample lines and connections, vehicle for transportation of samples, and laboratory instruments.</p> <p>Materials: laboratory supplies such as solvents and gases.</p>
<p><i>Outcome</i></p>	<p>Canada will take these recommendations under advisement.</p>
<p>2.6</p>	<p><i>Is it feasible to collect high viscosity crude oils in a means of containment that will not release potential light end components?</i></p>
<p><i>Participant</i></p>	<p>Every participant stated they can collect high viscosity crude oils in a means of containment that will not release potential light end components. Additional comments included:</p> <p>a) one point to consider is that many of the test methods designed for the introduction of sample under single-phase conditions directly from the MOC may not be suitable for high viscosity crude oils; and,</p> <p>b) collection and transportation of pressurized samples of large volumes (hundreds and thousands of litres) will be very expensive.</p>
<p><i>Outcome</i></p>	<p>Please refer to Outcome statement 2.3; this information will be determined only at the time of Task Authorization.</p> <p>a) This is the type of information and advice TC is seeking from the contractor when developing task authorizations. TC will specify appropriate test methods at the time of issuing task authorizations.</p> <p>b) Understood. In the majority of cases, TC will not be requiring the collection and transportation of significant volumes (i.e. thousands of litres) of pressurized samples. TC will likely require, on occasion, the collection and transportation equivalent to several thousand litres of crude. In these cases, the task authorizations will be developed to reflect the cost.</p>
<p>2.7</p>	<p><i>Is the sampling procedure outlined in the Statement of Work article 5.9 clear?</i></p>
<p><i>Participant</i></p>	<p>The sample procedure was clear to all participants; however, two participants felt that more clarity regarding the expected number, volume and type of samples as well as the potential geographic locations would be helpful in determining the resource requirements and establishing pricing for the testing and travel.</p> <p>One participant identified a concern that collection of the combustion residue into cleaned and purged containers as per section 5.4 will most likely be solid in nature and it will not be possible to collect the samples into closed containers. The participant requested the</p>

	following clarification: Did Canada mean that the samples can be collected into bottle containers as per ASTM D4057?
Outcome	Please refer to Outcome statement 2.3. TC will work in collaboration with the Contractor to determine the most appropriate collection method and specify such method (s) in the task authorization.
One-on-One	Transport Canada identified a new question related to the Statement of Work, based on the following scenario: Under the representative task defined in the Statement of Work, it was identified that a sample of crude oil obtained and delivered by the Contractor would undergo fire testing at a third party laboratory. Such testing would include taking a sample of the oil as it is fed into a fuel pan where it is ignited. This sample would be collected by a technician at the third party laboratory using a sampling cylinder provided by the Contractor that ensures all volatile light ends are contained. The lab technician may be unfamiliar with the pressurized sampling cylinder. The question is – Can the contractor provide a demonstration or training related to the use of the sampling cylinder? Could a digital demonstration or tutorial be provided that would ensure the technician could open and close the means of containment in which the crude oil is delivered in a manner that promotes safety?
Participants	Participants all agreed there was potential that it could be done. There is a safety risk – and resulting liability risk - if the means of containment is not opened by a properly trained individual and damage or harm occurs. Actual training is preferred.
Outcome	Canada will take this under advisement.
One-on-One	The possibility of utilizing either the latest, most up to date ASTM method published, or a modified test method was raised by several participants. Will you require the modified method to be published first, as this will take time.
Outcome	Determination of the required test method will be undertaken in collaboration with the Contractor. If the latest method, or a modified method is validated and will provide the best results, Canada will consider their use at the time of Task Authorization. Canada will not require publication of the modification; only that the Contractor provide sufficient information to explain the modification, the benefits and provide evidence of validation. If the modified methods meets Canada’s needs, Canada may accept it whether it is formally published or not.
One-on-One	One participant was concerned over who would own the intellectual property associated with a modified method.
Outcome	Intellectual Property will vest in the Contractor.
One-on-One	One participant asked if Canada had taken into account composite samplers versus grab samples and the effect that this might have on the results.
Outcome	

	Canada will be seeking input from the Contractor to determine the sampling site, type of sample, means of containment as part of the task. Grab or Composite samples can also be identified at that time.

SECTION 3: Evaluation Criteria	
3.1	<i>Is it clear how Canada proposes to evaluate the bids?</i>
<i>Participants</i>	Three participants indicated the evaluation process was clear. One participant indicated that the calculations of Total Labour Cost and, consequently, Total Bid Price are confusing and can potentially be misleading, as they do not account for a variation of amount of labour hours for each experience category and area of expertise. A possible suggestion is to develop one or several sample scenarios that will detail the number of hours that might be required for each of the labour categories and number of measurements for each test type.
<i>Outcome</i>	Please refer to Outcome statement 2.3. As it is not possible at this time to define the level of effort, the testing or other elements, it was felt that, for the purposes of evaluation only , addressing the labour and test costs alone were appropriate. The total bid price is for evaluation purposes only and will not represent the contract value, which is currently estimated to be \$1.3M for the initial period of the proposed contract.
3.3	<i>Are there any elements you believe should be included in the evaluation?</i>
<i>Participants</i>	Two participants indicated the following should be considered for the evaluation process: a) safety record / safety practices of the bidder; b) experience in the handling, loading and transportation of crude oil and other petroleum products outside of a lab environment; and, c) company-wide ISO 9001 certification in addition to ISO 17025
<i>Outcome</i>	Canada will take these recommendations under advisement; however, it should be noted that the evaluation criteria does address item b).
3.6	<i>Should the minimum required points be increased, or decreased?</i>
<i>Participants</i>	Three participants felt the points were sufficient; one participant indicated that the points allocated to R-3 could be decreased as most means of containment are designed by the manufacturers, not the end users.
<i>Outcome</i>	Canada would like access to a resource (company or individual) with experience in designing means of containment as Canada may require custom design of means of containment in some cases. Canada will accept a subcontractor, a joint venture or a consortium of companies that could include a MOC designer.

SECTION 4: Basis of Selection	
4.3	<i>Provide any suggestions that, in your opinion, could improve the contractor selection methodology.</i>
Participants	<p>One participant wanted to know if the work could be awarded in part (for example, awarding consulting services and analytical testing to different providers). This same participant wanted to know if the work would be awarded nationally or regionally.</p> <p>A second participant identified the following:</p> <ul style="list-style-type: none"> a) No subcontracting or outsourcing by the contractor; b) On site assessment by contracting authority; c) interviews of key personnel. d) Test method audits; and, e) Preference should be given to a Canadian entity.
Outcome	<p>Canada will issue a single contract for the services. As previously indicated, it is understood that bidders may not have the full capacity to perform all aspects of the work. Subcontracting, joint ventures, or a consortium of companies is acceptable to Canada in order to ensure the full complement of services can be provided across Canada.</p> <p>In terms of the remaining recommendations:</p> <ul style="list-style-type: none"> a) As above, Canada will not restrict bidders from subcontracting or outsourcing portions of the work; b) Not required; c) Not required; d) Canada will consider adding proficiency testing as a mandatory condition of the contract or potentially the evaluation criteria. e) The RFP indicates Canadian Content at 80%, and further indicates that only Canadian bidders may submit a proposal.

SECTION 5: Basis of Payment / Method of Payment	
5.1	<i>Is the proposed Basis of Payment reasonable?</i>
Participants	All participants indicated the Basis of Payment is reasonable. One participant indicated that it failed to address Direct Materials and services (e.g., containment vessels, shipping costs, etc.)
Outcome	Canada will take this under advisement.
5.2	<i>Is the Method of Payment reasonable?</i>
Participants	

	One participant indicated it was unclear if Canada intend to pay for the purchase of the means of containment.
Outcome	Canada will not pay for the means of containment as it has no desire to own those items. It is our expectation that the Contractor will have all of the required resources to perform the work. It is further understood that the Contractor may have to subcontract some portions of the work or rent/lease equipment in order to meet the requirements of the Task.
5.3	<i>Are there any other elements that should be included?</i>
Participants	All participants indicated the Method of Payment is reasonable. One participant indicated that there should be a reasonable window of time attached to the verification and acceptance by Canada.
Outcome	This is addressed in 2035, General Conditions, Higher Complexity, Services, which can be found at the following link: https://buyandsell.gc.ca/policy-and-guidelines/standard-acquisition-clauses-and-conditions-manual/all
5.4	<i>Canada may require the delivery of samples to a government location for in-house testing; in such an event, the sample must remain in the means of containment. Will you agree to temporarily loan the means of containment to Transport Canada for internal testing for up to 3 months?</i>
Participants	All participants agreed to loan the means of containment; however, one participant did indicate that if numerous samples (and containment vessels) are on loan, it would create a process problem for the project and create a need to purchase/rent more vessels.
Outcome	Understood. Please refer to Outcome statement 5.2.
5.5	<i>If not, how do you propose to be compensated? For example, a percentage rate of the task value; a firm weekly rate, rate to be negotiated? Actual cost if the means of containment is a subcontractor? Actual cost if the means of containment is rented. Please define.</i>
Participants	All participants indicated compensation would apply. Recommendations included: a) at actual cost plus a fixed fee; b) a firm weekly rate with the rate to be negotiated preferred; and, c) certain conditions and charges may apply, but not known at this time.
Outcome	Canada will take the recommendations under advisement.
5.6	<i>Do you have any other comments on the Basis of Payment?</i>
Participants	One participant indicated that it not clear what is covered by: all applicable information detailed under the section entitled "Invoice Submission" of the general conditions.
Outcome	Please refer to Outcome statement 5.3.

One-on-One	One participant requested Canada identify a range of sample volumes.
Participants	One participant indicated they would like to be able to provide volume discounts for some elements of their bid. To do so, they would like to have the sample volumes.
Outcome	Please refer to Outcome statement 2.3. Canada cannot provide that information at this time as the individual Tasks are not yet known; however, Canada will consider incorporating an option in the Basis of Payment for bidder to define, by percentage, the volume discount that could apply based on volume for the testing.

SECTION 6: Contract Terms	
6.3	<i>Did you review the referenced general conditions and supplemental terms and conditions? Are they acceptable?</i>
Participants	Two participants requested the inclusion of a Limitation of Liability clause.
One-on-One	One participant identified concerns with multiple terms associated with 2035 - General Conditions, Higher Complexity, Services: <ul style="list-style-type: none"> a) Section 24 – is there any room for a cap of up to \$2M? We would excluded losses caused by our own negligence. b) Section 25 – does this imply an alleged infringement by the bidder only? Even if it was unintentional? c) Section 30 –could there be a mechanism to include the opportunity for the bidder to terminate the agreement? d) Section 31 – will Canada consider the following language: (not included – proprietary) requiring audit to be undertaken by a third party.
Outcome	Canada will not consider limiting the liability of contractors in a competitive solicitation. <p>By submitting a proposal, the Bidder is agreeing to the terms and conditions stated in the Request for Proposal, which includes 2035 General Conditions and the noted sections.</p> <ul style="list-style-type: none"> a) Section 24 – Liability: No, Canada will not consider limiting the liability. b) Section 25 - Intellectual Property Infringement and Royalties: Yes, the clause reflects an implied infringement, unintentional or otherwise, by the bidder. Should a claim be made by a third party claiming the work submitted to Canada represents an infringement on the IP, the contractor would be required to address the issue, not Canada, as the contractor performed the Work. There is unlikely to be any IP development associated with the proposed contract. c) Section 30 – Termination for Convenience: No, Canada will not include such a mechanism. d) Section 31 – Accounts and Audit: Canada cannot include that language; however, audits are frequently undertaken by a third party.

6.4	<i>Do you understand the option to extend the contract process?</i>
<i>Participants</i>	One participant suggested a clarification to address if the option to extend will be automatically applicable to the contractor awarded the initial contract?
<i>Outcome</i>	Option periods will form part of the resulting contract for this requirement. Option periods are exercise at the sole discretion of Canada and only through a formal Amendment.

SECTION 7: Other	
7.1	<i>Please identify any other issues, concerns, recommendations not addressed above.</i>
<i>Participants</i>	One participant indicated that Transfer equipment obligations, equipment retention rate and term, design and certification delay management for equipment specific to anomalous crude sources, costs of crude acquired on behalf of Transport Canada are assumed to be CA\$0, force majeure is not clearly defined. As second participant stated that the certification acquisition process is somewhat unclear.
<i>Outcome</i>	Please refer to Outcome statement 2.3. There are no Transfer equipment obligations, as Canada will not own any equipment through the resulting contract. Equipment retention rate and term can only be determined at time of Task Authorization. The cost of the crude oil could potentially be a direct cost under the resulting contract. Times to certify equipment and potential delays will be discussed as the task authorization is developed.

6. Conclusion

Industry feedback has informed Canada of areas of potential concern for some Participants which resulted in improvement of the procurement process through the implementation of changes to the final RFP that will address the key concerns.

PWGSC and Transport Canada would like to thank all Participants who provided responses. The two-way dialogue and information that resulted was invaluable in assisting Canada in finalizing the procurement strategy.