



# Halifax-class Work Period Contracts (HC WPC) Annex 3



Industrial and Technological  
Benefits Policy Including Value  
Proposition

November 2016

# Outline

- **Objective**
- **Defence Procurement Strategy**
- **Industrial and Technological Benefits Policy**
- **Value Proposition**
- **Proposed Value Proposition for HC WPC**
- **Value Proposition Evaluation Questions**
- **Next Steps for Industry Engagement**

# Objective

- To support long-term industrial benefits, the Government of Canada is consulting with industry in the development of the Value Proposition on the Halifax-class Work Period Contracts (HC WPC).
- Information contained within this presentation intends to achieve the following:
  1. Outline the initial projected evaluation criteria for the Value Proposition; and
  2. Seek industry views on the projected Value Proposition evaluation criteria and an associated evaluation framework.
- Information obtained during the industry consultation process will inform the development of the Value Proposition evaluation framework.

# Defence Procurement Strategy

- **Announced in February 2014, by the Ministers of:**
  - Public Works and Government Services (now Public Services and Procurement Canada)
  - National Defence
  - Industry Canada (now Innovation, Science and Economic Development)
- **Goals:**
  - Deliver the right equipment to the Canadian Armed Forces and the Canadian Coast Guard in a timely manner
  - Leverage purchases of defence equipment and services to create jobs and economic growth in Canada
  - Streamline the defence procurement process

# Industrial and Technological Benefits (ITB) Policy

- **Value Proposition Guide released on December 19, 2014**
- **Four objectives:**
  - *Support the long-term sustainability and growth of Canada's defence sector*
  - *Support the growth of prime contractors and suppliers in Canada, including small and medium-sized enterprises in all regions of the country*
  - *Enhance innovation through R&D in Canada*
  - *Increase the export potential of Canadian-based firms*

# The ITB Policy Will Be Broadly Applied

- **The ITB Policy will apply to procurements contracted after the launch of the Defence Procurement Strategy on February 4, 2014, including:**
  - *All eligible defence procurements over \$100 million*
  - *All eligible Canadian Coast Guard procurements over \$100 million and for which the National Security Exception applies*
  - *All eligible defence procurements with contract values between \$20 - \$100 million will be reviewed for the use of Value Propositions*

# The Value Proposition (VP)

- Winning bidders are now selected on the basis of price, technical merit and their *Value Proposition*
- The VP includes bidder commitments to undertake work in Canada and generally accounts for 10 percent of the overall score
- Companies awarded procurement contracts must undertake business activity in Canada equal to the value of the contract

## Value Proposition

- Commitments/activities proposed at bid time
- Rated and weighted during bid evaluation

## Outstanding Obligation

- Activities identified after contract award
- Brings identified activities up to 100 percent of contract value

# The VP Guide Is A Flexible Framework

On a procurement-by-procurement basis, there is flexibility to:

- Increase/decrease the 10% weight of the VP
- Weigh individual evaluation criteria differently
- Apply all or some of the evaluation criteria
- Add additional evaluation criteria
- Apply mandatory requirements
- Develop different rating grids

Informed by:

*Industry  
engagement*

*Research and  
analysis*

*3<sup>rd</sup> party experts*



# VP Framework: Evaluation Criteria Example

## Defence Sector

- Work in Canada specific to the procurement
- May include work in Canada's defence sector

## Canadian Supplier Development

- Work undertaken by suppliers in Canada
- Work undertaken by Small-and-Medium Business suppliers in Canada

## R&D

- R&D undertaken in Canada
- R&D in Canadian post-secondary institutions

## Exports

- Strategy to export the procured product from Canada
- May include incremental exports in any sector

# VP for HC WPC – Strategic Implications

- Strong domestic capabilities to perform a high degree of work activities directly related to the procurement;
- Existing Canadian capabilities can be utilized for work on commercial activities.
- Potential for direct Canadian supply chain participation, including Small-and-Medium Business, for the provision of specialized services and materials;
- Limited R&D required directly related to the project, however, there exists the opportunity to motivate investments into key associated areas within the broader Canadian marine/shipbuilding industry.
- Very limited opportunity to export services performed under this contract given the propensity of other nations to service their own fleets.

# HC WPC - Proposed VP Direction

## Objective(s):

- Maximizing the amount of Canadian Content Value directly related to this procurement.
- Encourage similar repair and maintenance activities within commercial marine sectors.
- Motivate participation of Canadian Small-and-Medium Business suppliers.
- Encourage investment into R&D and skills development activities supporting Canadian marine/shipbuilding in-service-support, in areas of: welding, marine paints and green shipbuilding.

# HC WPC - Proposed VP Evaluation Criteria and Weighting

- A Value Proposition involving the following weighted evaluation criteria is proposed:

## Defence Sector

- Commitment to Undertake Work in Canada specific to the procurement

## Canadian Supplier Development

- Commitment to Undertake Work in Canada specific to commercial marine repair and maintenance
- Commitment to Undertake Work with Canadian Small-and-Medium Business

## R&D / Skills Development

- Commitment to Undertake R&D and Skills Development activities/investment within: welding, marine paints and green shipbuilding

# VP Evaluation Questions - Defence Sector and Canadian Supplier Development

## Questions for Consideration:

In addition to direct work, Canada is interested in leveraging work to Canadian suppliers

1. How much work, as a percentage of bid price, directly related to HC WPC do you expect to undertake in Canada, and in what activity areas?
2. To what extent can you submit, at bid time, identified direct work transactions as a percentage of bid price?
3. How much work, as a percentage of bid price, related to commercial marine repair and maintenance could you undertake in Canada, and in what areas?
4. To what extent can you submit, at bid time, identified commercial marine work transactions as a percentage of bid price?
5. What percentage of overall work do you foresee for Canadian suppliers (i.e. work not conducted in-house) in relation to direct work on the HC WPC? As well, in relation to commercial marine work?
6. Given the ITB Policy requirement of 15% for activity involving Canadian Small-and-Medium-Business, what percentage of overall work do you foresee for Canadian Small-and-Medium-Business in relation to direct work on the HC WPC? As well, could this percentage be exceeded?

# VP Evaluation Questions – R&D / Skills Development

## Questions for Consideration:

To promote innovation and research and development involving industry and publically funded research institutions

1. How much and in what areas are you currently undertaking R&D activity yearly in Canada?
2. Recognizing Canada's commitment to an innovative economy, are there specific areas of R&D / Skills Development that could be motivated related to this project? Please explain your answer. For example initial research indicates applicability to welding, marine paints and green shipbuilding.
3. How would you suggest R&D / Skills Development be measured and scored for VP? For example, commitment to a dollar expenditure on an annual basis, or as an overall percentage commitment of the contract value?

# VP Evaluation Questions - Other

## Question for Consideration:

1. Are there other high-value business are not captured under the criteria outlined on pg. 12 which you feel would provide long-term economic benefits to Canada? Please explain your answer, while also indicating under which Value Proposition pillar (existing or new) that these activities should be captured under.
2. Generally the Value Proposition weighting is 10% of the total bid evaluation score. What weighting would you recommend in order to ensure the Value Proposition objectives are met? Please provide a supporting rationale.
3. Based on your answers to questions #1 and #2, please provide your weighting recommendations for the pillars below that best align with the strategic objective of the Value Proposition.
  1. Defence Sector
  2. Supplier Development
  3. Research and Development / Skills Development
  4. Other Suggested Pillar(s) (if applicable)

# Next Steps for Industry Engagement

- **Request for Information (November 2016)**
  - Outline the proposed Value Proposition evaluation criteria
  - Seek input from industry on the proposed Value Proposition evaluation criteria through written responses
- **Review and Refine Requirements (Fall 2016 – Spring 2017)**
  - Based on information attained, present a proposed Value Proposition evaluation framework and scoring, and if required seek additional industry feedback
- **Request for Proposal (April 2017)**
  - Informed by industry engagement, a final Value Proposition evaluation framework will be released



# More Information

For more information on Industrial and Technological Benefits as well as the Value Proposition Guide, please visit: <http://www.canada.ca/itb>

Please provide your written feedback for the HC WPC Value Proposition Questions for Consideration by 20 January, 2017.

Questions regarding clarification, as well as the scheduling of one-on-one meetings following the Request for Responses and Evaluation must be exclusively sent to the Contracting Authority:

Sharon Saslove  
Manager  
Acquisitions Branch  
Marine Sector  
Major Projects Directorate (Sea)  
[sharon.saslove@tpsgc-pwgsc.gc.ca](mailto:sharon.saslove@tpsgc-pwgsc.gc.ca)  
(819) 939-3233

Canada 