

# ***Halifax-class Combat Systems (HCCS) In-Service Support Contract (ISSC)***

## **Industry Day Brief**

**6 December 2016**



# Agenda and Timeline

Start	Item	Presenter
0900	Opening Remarks	Commodore S. Page
0910	Administrative Details	Gary Vrckovnik
0915	<i>Halifax</i> -class ISS Contracting	Darren Gould
0930	HCCS Background	Gary Vrckovnik
0945	HCCS ISSC Schedule	Gary Vrckovnik
1000	Break	---
1020	Performance Work Statement	Gary Vrckovnik
1100	Performance Requirements Specification	Gary Vrckovnik
1130	RFI Feedback	Gary Vrckovnik
1210	ITQ Summary	Gary Vrckovnik
1230	Closing Remarks	Gary Vrckovnik



# HCCS ISSC Project Team

- Department of National Defence
  - Project Manager - Gary Vrckovnik
  - Procurement Authority – Laura Sample
- Public Services and Procurement Canada
  - Contract Authority - Marie-Andrée Fortin
- Innovation Science and Economic Development Canada
  - ISEDC Representative - Mark Gray
- Fairness Monitor
  - Steve Johnston from RFP Solutions



# Fairness Monitor

- A Fairness Monitor (FM) is an independent third-party, holding a professional designation/accreditation, engaged to observe a Departmental activity, to render an impartial opinion and attest whether decisions taken by the Department are fair, open, and transparent.
- The Fairness Monitor's role is to attest to the fairness, openness and transparency of the monitored activity
  - Directly informs the Contracting Authority of any issues / potential fairness deficiencies that arise
- All solicitation documents are shared with the Fairness Monitor before they are released to Industry
- All bidder communication is shared with the Fairness Monitor
- The Fairness Monitor attends all dealings with bidders including industry days, site bidders conferences, debriefings etc. visits,



# Rules of Engagement

- Note: All documents related to this procurement (eg. SOO, PWS, PRS, ITQ) are draft at this time and are subject to change
- Questions / Feedback
  - Feel free to ask anytime during the presentation in either Official Language
  - Email:  
**Marie-Andrée Fortin**  
**Supply Team Leader**  
**Public Services and Procurement Canada**  
**[Marie-andree.fortin@tpsgc-pwgsc.gc.ca](mailto:Marie-andree.fortin@tpsgc-pwgsc.gc.ca)**





# HALIFAX Class

## In-Service Support Contracting (HCISSCtg)

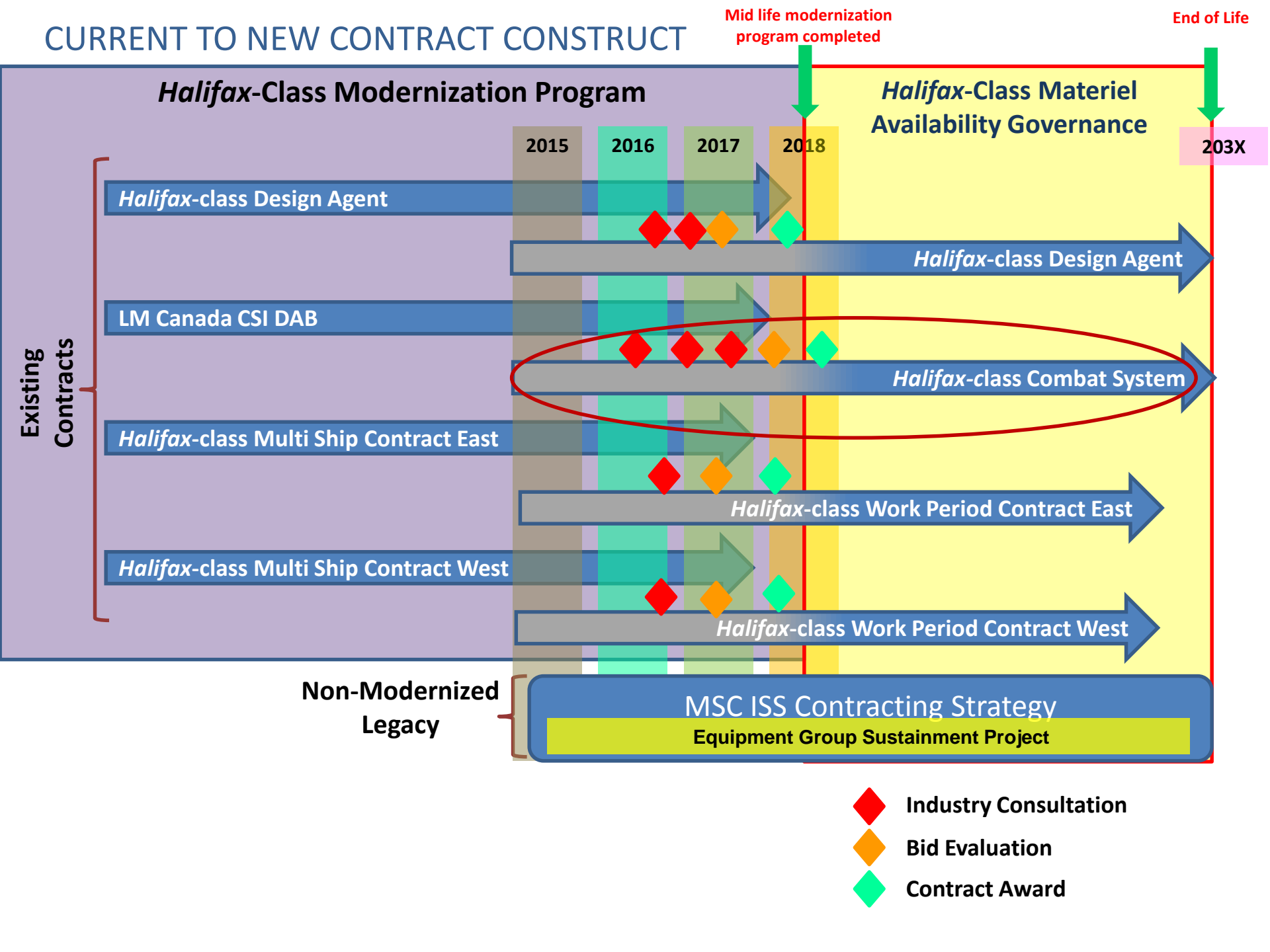
**DMEPM MSC**  
**Mr. Darren Gould**  
**6 December 2016**

# HCISSCtg Scope

- ISSCs considered to be the foundation to the *Halifax*-class In-Service Support Contracting (HCISSCtg)
  - *Halifax*-class Design Agent ISSC Renewal (HCDAg ISSC)
  - *Halifax*-class Work Period Contract - West (HCWPC-W)
  - *Halifax*-class Work Period Contract - East (HCWPC-E)
  - *Halifax*-class Combat Systems ISSC (HCCS ISSC)



# CURRENT TO NEW CONTRACT CONSTRUCT





# HCISSCtg STATEMENT OF OBJECTIVES

## 1. Overview

1.1 The overall goal of **this named In-Service Support (ISS)** contract is to provide a system of in-service support that provides to the greatest degree possible the most efficient and effective support of DND systems.

Economies of  
scale and  
innovation

1.2 The objective is to capitalize on economies of scale and innovation in order to provide equipment support at a level that meets or exceeds the operational requirement while reducing overall platform support costs.

1.3 The intent of the Statement of Objectives (SOO) is to define the key objectives for the In-Service Support Contract.

1.4 The working relationship must include collaboration between Industry representatives and Canada in an Integrated Project Team to support the delivery management and contract performance.

CIIPT

1.5 The contractor must leverage existing Canadian investments and facilities where appropriate.

1.6 The SOO precedes the Performance Work Statement (PWS) in the order of contractual precedence.



# HCISSCtg STATEMENT OF OBJECTIVES

## 2. Objectives

2.1 Ensure primacy of operations according to the Major Surface Combatant (MSC) Class Program Plan (CPP)(*Halifax*-class) and the Fleet Maintenance Facility (FMF) Annual Operating Plan (AOP). An Integrated Project Team comprised of Canada and Industries representatives will be initiated to: enhance relational building between team members; and explore of concepts for conflict avoidance and planning.

2.2 Ensure the maintenance of *Halifax*-class Design Intent.

2.3 Ensure responsible stewardship that materiel is: fit for purpose; safe; secure and environmentally compliant.

← Fit for purpose, safe,  
environmentally compliant

2.4 Ensure cost effective and rapid capability insertion for the *Halifax*-class.

2.5 Ensure that there are no unilateral changes to the systems without Canada's agreement. Canada retains responsibility for: Naval Materiel Assurance/Naval Materiel Regulation; Design Authority; Systems Authority and Systems Engineering Oversight.

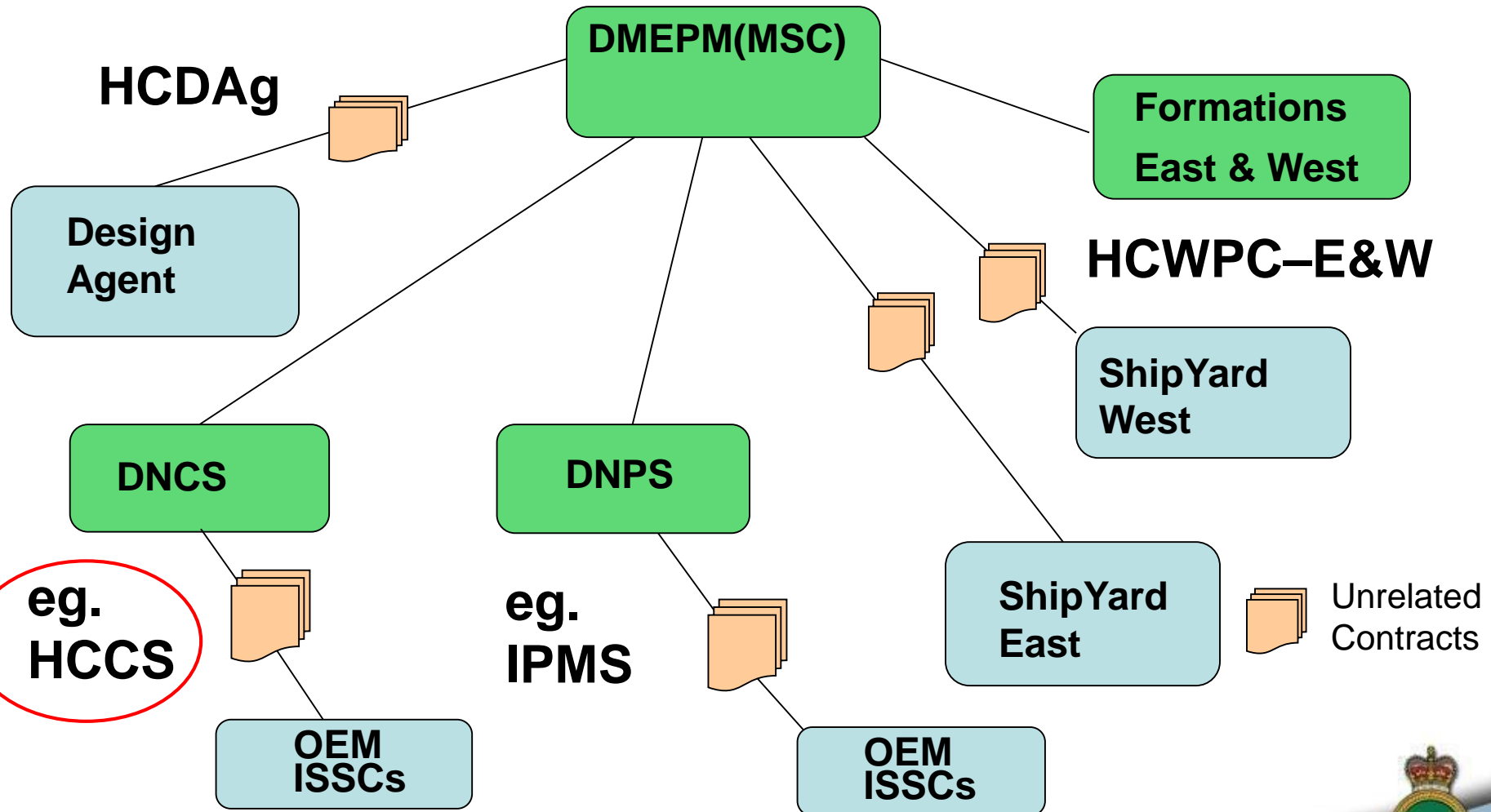
2.6 Ensure continuous improvement by leveraging industry innovation and efficiencies from lessons learned.

2.7 Ensure performance goals are jointly established to achieve common objectives.

Joint  
Perf.  
Metric



# CONTRACTUAL COMPLEXITY



# HCCS Background



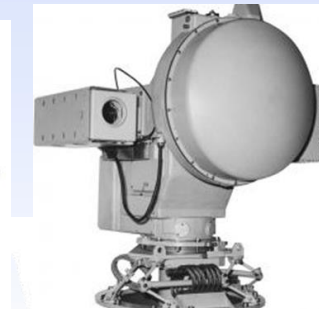
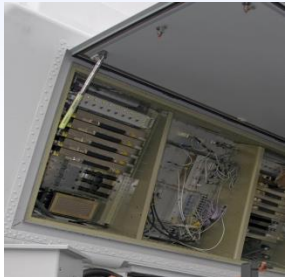
# Background

- 6 new Integrated Components for the *Halifax*-class Combat System were acquired through the *Halifax*-class Modernization Program
  - Lockheed Martin Canada's Combat System Integration Design and Build Contract
- Limited "Interim" support contracts established until the Long-term In-Service Support (ISS) contract awarded
  - Being achieved by expanding existing Repair & Overhaul (R&O) contracts where possible, initiating spare Standing Offer Arrangement (SOA) contracts, and issuing new short-term sole-source contracts to the OEMs for each Combat System component



# Background

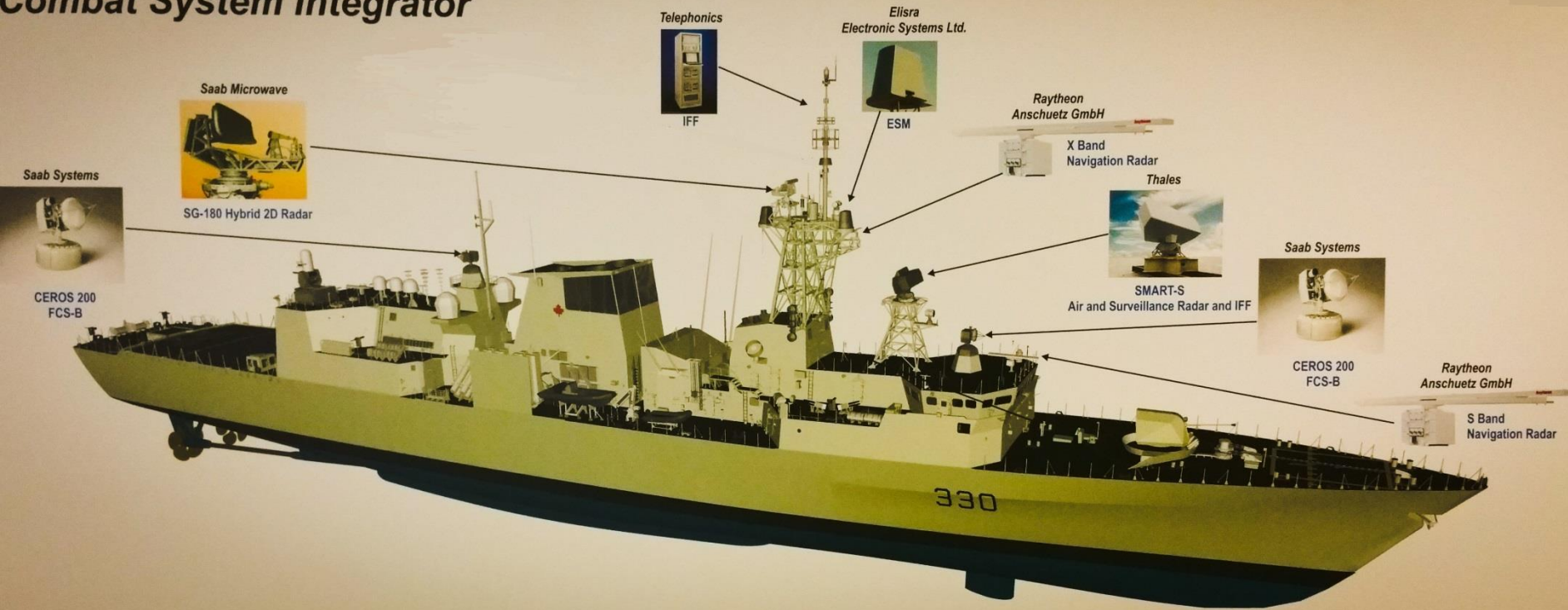
- Long-term ISS is required for the following 6 Combat Systems:
  - Fire Control Radar System CEROS200 (OEM – Saab EDS, Sweden)
  - 2 D Radar System SG-180 (OEM – Saab Microwave, Sweden)
  - 3 D Radar System SMART-S (OEM – Thales, Netherlands)
  - Identification Friend or Foe (IFF) MK XIIA (OEM – Telephonics, USA)
  - Navigation Radar NSC-26 (OEM – Raytheon Anschuetz, Germany)
  - NS9003A-V2HC Electronic Support Measures (OEM – Elisra, Israel, Licenced Canadian Repair Facility is Lockheed Martin Canada)





# Background

## HALIFAX CLASS MODERNIZATION Combat System Integrator



# Background

- Long-term In-Service Support Contract (ISSC) for these Combat System Components is required
  - Aligned with Defence Renewal, the Sustainment Initiative and naval In-Service Support initiatives
  - Goal is to achieve a single, long-term, performance and incentive based, competitive ISSC for the 6 Combat System Components
- Benefits of a single, performance based contract for 6 components are anticipated to be:
  - Effective and efficient support of the HCCS equipment while minimizing overall support costs and meeting RCN readiness requirements
  - Less Government Management Overhead
  - More efficient service delivery with increased system availability and reliability
  - Better relations with industry through a long-term, relational based contract
  - Government resources focused on System Authority role





# Requirement

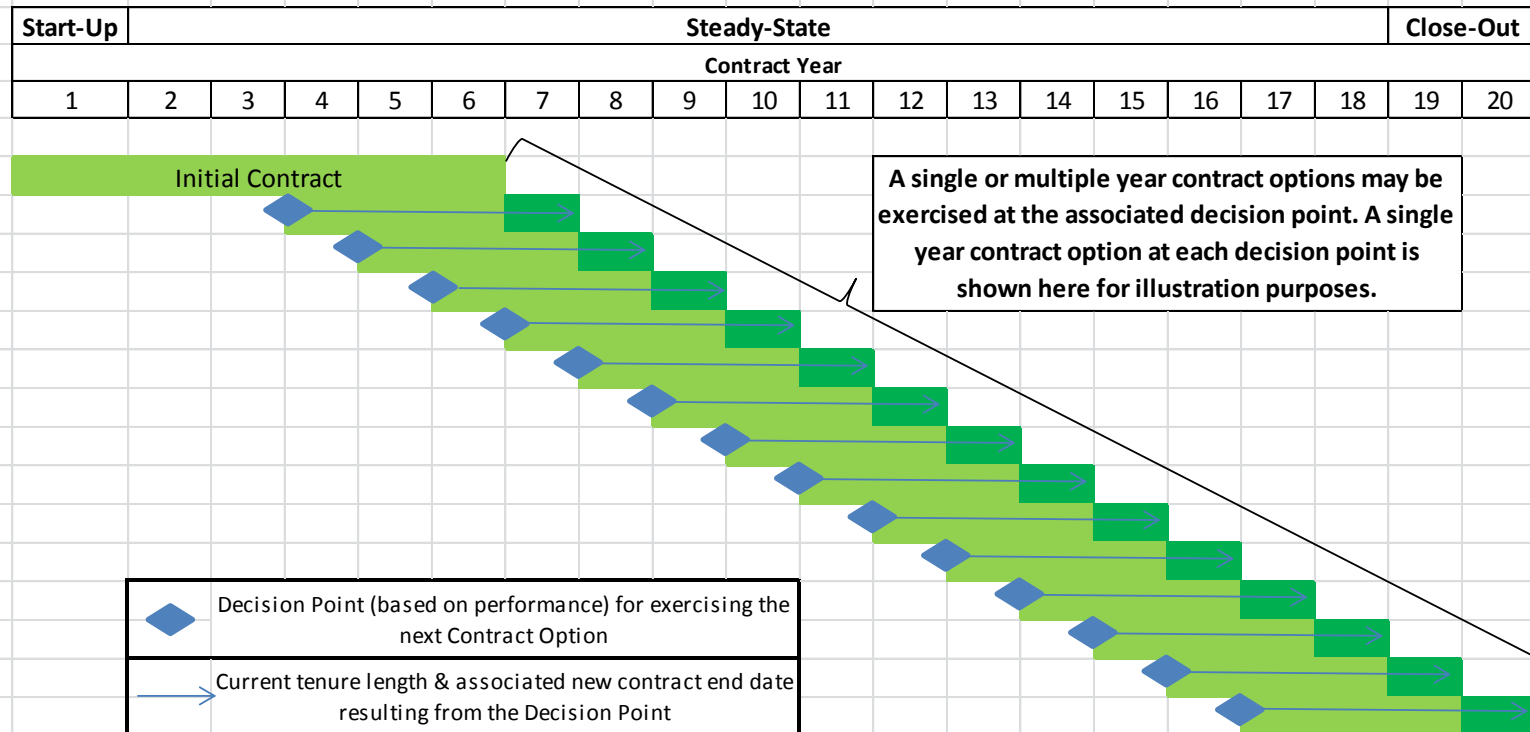
- The HCCS Equipment Group (EG) requires a long-term In-Service Support Contract
- Contract period FY 19 – 36 (to estimated end of life of the ships)
- Initial 6 Year Term with subsequent 1 Yr Option Renewals (Rolling Wave)
- Contractor must manage, procure, own, warehouse, distribute and dispose materiel
- DND (Ship Staff, Fleet Maintenance Facility (FMF)) will normally conduct 1st and 2nd level maintenance
- Contractor will conduct 3rd level maintenance
- Contractor will be responsible for maintaining HCCS EG Design Intent and to meet the availability requirements for each system
- The Security Requirement is Secret caveat CANUS



# Rolling Wave Contract Concept

## Initial Contract Length (6 yr), Rolling Wave and Performance Measurement for HCCS ISSC

(20 Year Contract Term shown for illustration purposes only)



## Performance Measurement

Performance Measured	Performance Measured and linked to Tenure	Performance Measured and linked to Payment and Tenure
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# Procurement Strategy Considerations

- The HCCS ISSC will be sourced competitively
- Fairness Monitor Assigned
- Trade Agreements will not apply as a National Security Exception has been requested
- The individual OEMs hold the Intellectual Property (IP) Rights for their respective systems
- The HCCS ISS Contractor will need to establish arrangements with each of the OEMs (innovative solutions)
- Aligned with Defence Renewal and naval ISS initiatives, we are looking for a single long-term, performance based contract with annual incentives
- Contract Governance Structure will be established through cooperative development of a Relationship Charter with the HCCS ISS Contractor

# HCCS ISSC Schedule



# HCCS ISSC Milestones

Forecast Date	Item
Dec 2016	Draft Invitation to Qualify (ITQ) Released for Feedback
Feb 2017	Final ITQ Released on Buyandsell.gc.ca
Mar 2017	ITQ Closes (ITQ Release + 1 month)
Apr 2017	ITQ Evaluations Complete
May-Sept 2017	Industry Days and Possible One-on-Ones with Qualified Respondents
July 2017	Draft RFP Released to Qualified Respondents for feedback
Dec 2017	Final RFP Released on Buyandsell.gc.ca
April 2018	RFP Closes (RFP Release + 4 months)
June 2018	Bid Evaluation Complete (RFP Closes + 2 months)
Aug 2018	Negotiation Complete with Successful Bidder
Oct 2018	Treasury Board Submission
Dec 2018	Contract Award

# Performance Work Statement



# PWS Style & Structure

- Outcome based Performance Work Statement (PWS) with mandatory requirements
- Performance Requirements Specification (PRS) based on the Outcomes
- PWS specifies the incentives which are linked to measureable outcomes.
- We have denoted each paragraph with an [O], [M] or an [I]
  - O = mandatory outcomes that specify the end result to be achieved by the Contractor
  - M = mandatory requirements that must be delivered by the Contractor
  - I = provides contextual information to the Contractor.



# PWS Content

- Chapter 1 - Introduction
- Chapter 2 - General Requirements
- Chapter 3 - In-Service Support Management
- Chapter 4 - Technical Schedule Management
- Chapter 5 - In-Service Support Activities
- Chapter 6 - Training Support
- Chapter 7 - Electronic Information Environment
- Chapter 8 - Performance Monitoring and Assessment
  
- Appendix 1 - HCCS Performance Requirements Specification
- Appendix 2 - HCCS EG Configuration Item Index Report
- Appendix 3 - HCCS EG Technical Data Item List
- Appendix 4 - Data Item Descriptions (DIDs)
- Appendix 5 - Government Property
  - Attachment 1- Loan Agreement for GFE
  - Attachment 2- Government Supplied Material (GSM)
  - Attachment 3- Government Furnished Information (GFI)
- Appendix 6 – DND Owned HCCS EG Inventory
- Appendix 7 - List of References
- Appendix 8 - Glossary of Terms
- Appendix 9 - Abbreviations and Acronyms





# HCCS ISSC Scope of Work

- Single, long-term, flexible, relational, performance-based ISSC
- Initial 6 year contract term with 1 year rolling wave options
- **PWS-65 -- [O] The Contractor must preserve the Design Intent (DI) of the HCCS EG.**
- Contractor must manage, procure, own, warehouse, distribute and dispose materiel
- DND can add or remove systems from the HCCS EG
- Defence Resource Management Information System (DRMIS) is Canada's Materiel Acquisition & Support system of record which must capture all work activities
- DND retains Design Authority (DA), System Authority (SA)



# General Requirements - PWS Work Categories

## Management Functions

- management level work necessary to execute the Contract

## Core Work

- work that is predictable, quantifiable, recurring and performed within specified time periods
- e.g. Configuration Management, Obsolescence Management, Tech Data Management

## Emergent Work

- work that is generally unplanned or unquantifiable, although of a known type
- as and when requested basis in accordance with the Basis of Payment of the contract
- authorized through a Task Authorization form (DND 626)
- e.g. Antenna overhauls, Engineering Changes, Training augmentation



# General Requirements - PWS Work Phases

## Start-Up Phase

- Provide the Contractor time to establish full service delivery capability and to implement and validate the performance management framework via data collection and assessment
- The work of the interim Repair & Overhaul (R&O) contracts with the OEMs will be transitioned to the Contractor during the Start-Up Phase

## Steady-State Phase

- Contractor conducts ISS under a Performance Management Framework

## Close-Out Phase

- There are 2 conditions for initiating Contract Close-Out
  - contract termination
  - Retirement of the HCCS EG systems due to end of service life (disposal)



# ISS Management - Annual Operating Plan (AOP)

- AOP is developed and approved annually and covers future fiscal years of the Contract Period
- Identifies Core and Emergent work, future unfunded work
- Work priority is based on operational readiness levels and Formation schedules
- Adjust AOP to changes due to operational needs, budget, delays
- AOP Schedule must align to Class Program Manager's Integrated Master Schedule



# ISS Management - Relational Contracting

- **PWS-296-- [O] The Contractor must manage relationships such that there are collaborative and effective working relationships between Canada and the Contractor and between the Contractor and other contractors to achieve mutually successful outcomes.**
- Contracting for a partner not just a supplier of services - Relational Performance Based Contract which stresses the relations between:
  - Halifax-class Design Agent and Support Services Contractor
  - Halifax-class Work Period Contractors
  - DND: System Authority, Design Authority, Technical Authority, Fleet Maintenance Facilities (FMFs), Ship Staff
  - OEMs
- Development of Relationship Charter upon Contract Award
  - common goals, desired behaviours, and joint governance
  - includes a series of mutually agreed upon processes to increase collaboration
  - engenders trust, promotes innovation and best practice development is established
- Canada Industry-Integrated Project Team



# ISS Management - Intellectual Property Management

- All background intellectual property (IP) is retained by the HCCS OEMs or their Authorized Representatives
- Canada will retain ownership and IP rights for all foreground IP resulting from this contract
  - National Security
  - Smart Customer
- ***PWS-587 -- [M] The Contractor must obtain all necessary rights, licenses and agreements with each HCCS EG OEM and other parties.***
- Expect the Contractor to negotiate arrangements with each OEM or their Authorized Representatives



# ISS Management - Direct Liaison

- Expect direct liaison between the successful Contractor and RCN Formations and Units after Contract Award
  - exchange of information for planning and coordinating approved work is encouraged
- Contractor will inform TA of liaison activities
- DND will have ability to consult and communicate directly with the OEMs





# ISS Management - Continuous Improvement

- **PWS-446 -- [O] *The Contractor must achieve the lowest possible life cycle cost for the HCCS EG.***
- **PWS-447 -- [M] *The Contractor must conduct life cycle cost analysis to ensure that the lowest cost of sustaining the HCCS EG to the required level of performance is achieved.***
- Assessment of the Continuous Improvement Program will be linked to the Performance Management Framework and Value Engineering activities.





# ISS Management – Naval Materiel Regulatory Requirements

- ***PWS-452 -- [O] The Contractor must ensure that the HCCS EG complies with all Naval Materiel Regulatory requirements.***
- ***PWS-466 -- [M] The Contractor must ensure that the HCCS EG installed on the Halifax-class Ships are maintained in accordance with each vessel's approved Naval Materiel Regulatory Assurance Certification Plan through the naval materiel regulatory process described in the Naval Materiel Regulation for Surface Ships (NMRSS).***



# ISS Management - Security Requirements

- **PWS-470 - [O] *The Contractor must ensure that the continuity of Navy missions is maintained in the presence of security incidents, disruptions and emergencies that occur for the HCCS EG.***
- HCCS EG provides significant situation awareness to the *Halifax-class* Combat System
- Contractor will need to:
  - Identify Critical Program Information (CPI) – elements that if compromised could cause significant mission degradation
  - Analyze criticality of the CPI
  - Analyze supplier threat – supply chain
  - Assess vulnerabilities
  - Assess risks and implement countermeasures
  - Report security incidents
- Similar to US DoD Program Protection Plan



# Technical Schedule Management

- **PWS-661 -- [O] The Contractor must align the production requirements with ship availability and RCN assigned priority.**
- **PWS- 665 -- [M] The ISS Contractor must provide HCCS TSM Services to:**
  - a. assist in the planning and scheduling of Programmed Work Periods (PWPs);**
  - b. identify and ensure early resolution of any scheduling issues or conflicts;**
  - c. ensure the identified and approved work packages are complete, so they can be efficiently sequenced and scheduled for approved PWPs;**
  - d. ensure all the components, resources and materiel support required for each work package will be available to support the execution of approved PWPs; and**
  - e. develop contingency plans and incorporate schedule flexibility to accommodate changes for unforeseen and/or immediate requirements.**

# ISS Activities

- Contractor Work Elements:
  - Design Intent Management
  - Configuration Management
  - Technical Problem Management Support
  - Obsolescence Management
  - Technical Data Management
  - Facilities and Government Property Management
  - Engineering Support (e.g. Technical Investigation and Engineering Studies (TIES), Special Investigation and Technical Studies (SITS), Engineering Changes, Value Engineering)
  - Maintenance
  - Materiel Management



# ISS Activities – Design Intent Management

- The Contractor will maintain, update and confirm Design Intent (DI) documentation and use DI as a basis for the delivery of ISS.
- ***PWS-727 -- [M] The Contractor must provide Canada with on-going assurances of alignment between HCCS configurations, ISS and the corresponding DI documentation, including providing required objective quality evidence to DND to support evaluations and decisions using Naval Materiel Assurance procedures.***



# ISS Activities – Technical Data Management

- **PWS-797 -- [O] *The Contractor must manage and maintain the HCCS EG technical data.***
- Contractor must ensure HCCS EG technical data is updated
- Contractor must provide up-to-date HCCS EG technical data to the *Halifax-class* Design Agent, DND and other stakeholders
- **PWS-818 -- [M] *The Contractor must integrate and synchronize the HCCS EG technical data with the Halifax-class Design Agent technical data.***



# ISS Activities – Engineering Support

Engineering Changes (ECs): Product Level and Ship Level

- Contractor must collaborate with the System Engineer, Design Authority, System Authority, OEM, EC Installing Agent, *Halifax-class* Design Agent and other Stakeholders
- Contractor must conduct ship level ECs using the Director General Maritime Equipment Program Management (DGMEPM) EC Process





# ISS Activities – Maintenance

- **PWS-947 -- [O] *The Contractor must maintain the HCCS EG to meet its DI.***
- Level One = Ship Staff with possible assistance from Contractor
- Level Two = FMF with possible assistance from Contractor
- Level Three = Contractor with possible assistance from FMF
- **PWS-949 -- [M] *Regardless of who conducts the maintenance procedures, the Contractor must ensure that Level one, two and three maintenance procedures of the HCCS EG are completed and recorded in DRMIS.***
- **PWS-1017 -- [O] *The Contractor must maintain and calibrate the Special Tools and Test Equipment (STTE) used to support the HCCS EG systems.***





# ISS Activities – Materiel Management

- **PWS-1022 -- *[O] The Contractor must have the materiel available to meet the corrective, preventative, and planned maintenance when required by ship staff, FMF, shipyards, the Contractor and other stakeholders.***
- Contractor must manage, procure, own, warehouse, distribute and dispose materiel
- Existing DND Inventory will be provided to Contractor to use, manage, repair and dispose via Contractor Repair Parts Account (CRPA) or loan agreement
- Normal handover points will be Base Logistics in Halifax and Esquimalt



# Training Support

- **PWS-1127 -- [O] *The Contractor must provide operation and maintenance process updates to the maintainers of the HCCS EG training systems, training material, and training courses.***
- Contractor needs to provide updates to DND operator/maintainer training material and Combat System Integration (CSI) ISSC (trainers/simulators) when changes are made to the HCCS EG
- Contractor may be required to augment delivery of HCCS EG operator and maintenance training
- Trainers (simulators) support not included in this contract – covered under CSI ISSC



# Electronic Information Environment

- Canada's Materiel Acquisition & Support system of record for DND assets is DRMIS
- There are security concerns about giving Contractors access to DRMIS
- Electronic Data Exchange (EDE) is not required
  - Navy Electronic Information Environment (EI) Process Models being developed by DRMIS team within DMMS for our project
- There will be no direct link to the Contractor's Materiel Acquisition & Support (MA&S) system – electronic exchange of DRMIS transactions will be handled manually
  - Low volume of DRMIS transactions so manual handling should be fine
- Contractor must establish an electronic collaborative environment

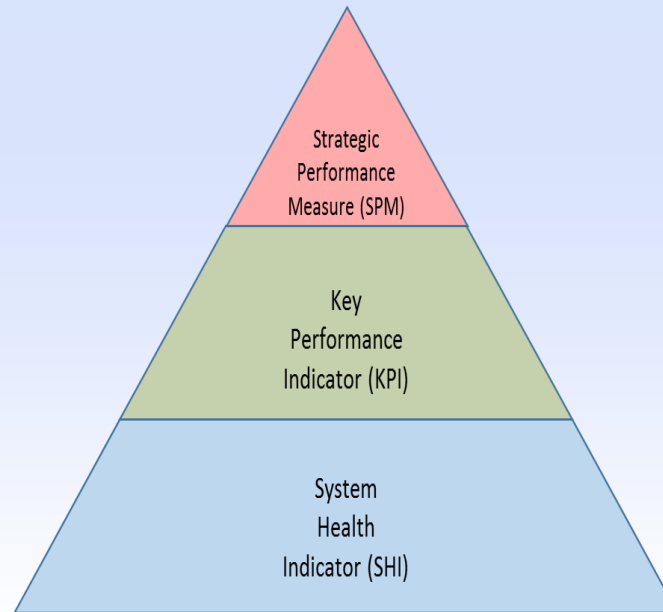


# Performance Requirements Specification



# Performance Requirements Specification

- Performance Assessment forms the basis for influencing behaviour and awarding incentives to the Contractor
- The HCCS ISSC performance is managed within a three tier framework:



# Performance Requirements Specification

- Strategic Performance Measure (SPM)
  - Annually assessed performance measures focussed on long-term behaviours that align to Canada's strategic goals, and are non-payment related.
- Key Performance Indicator (KPI)
  - Quantitative measures of performance that drive possible performance incentive payments.
  - Each KPI includes a desired and a minimum acceptable specified level of performance that the contractor must achieve
- System Health Indicator (SHI)
  - SHIs are indicators that provide some assurance that the SPM and KPI desired levels of performance will be met.
  - SHIs are both qualitative and quantitative
- Satisfactory SPM, KPI and SHI ratings will factor into Canada's decision to exercise its contract option years in accordance with the terms and conditions of this contract.
- The KPIs will be used to calculate the possible performance incentive payments on an annual basis in accordance with the terms and conditions of the contract



# Performance Requirements Specification

<b>Class Objective:</b>	<b>System Readiness</b>	<b>Naval Material Assurance</b>	<b>Capable Ship Systems</b>	<b>Capable Support System</b>	<b>Optimal In-Service Support</b>	<b>Effective and Efficient Knowledge Management</b>	<b>Relationally Managed Contract</b>
<b>SPM:</b>	<b>SPM1:</b> System Readiness	<b>SPM2:</b> NMA Compliance	<b>SPM3:</b> Design Intent Sustained	<b>SPM4:</b> Support System Capability	<b>SPM5:</b> Efficient and Affordable Support System	<b>SPM6:</b> Effective and Efficient Knowledge Management	<b>SPM7:</b> Contractor Canada Relationship  <b>SPM8:</b> ITB/VP
<b>KPI:</b>	<b>KPI1:</b> System Availability			<b>KPI2,3:</b> Contractor Supply Chain Performance <b>KPI4:</b> HCCS EG Obsolescence Risk <b>KPI5:</b> Technical Problem Resolution			<b>KPI6:</b> ITB & VP
<b>SHI:</b>	<b>SHI1:</b> OPDEFs  <b>SHI2:</b> OPDEFs / RCN Day  <b>SHI3:</b> Corrective Maint. Actions  <b>SHI4:</b> Corrective Maint. Actions / RCN Day		<b>SHI5:</b> Component Repair Rate  <b>SHI9:</b> Configuration Compliance	<b>SHI10:</b> Security Effectiveness  <b>SHI6:</b> FSR Response Compliance  <b>SHI11:</b> Materiel Availability	<b>SHI7:</b> AOP Performance  <b>SHI8:</b> HCCS EG Support System Improvements		



# Strategic Performance Measures (SPM)

- An annual report will be developed that presents the overall past performance of the Contractor in the previous years as well as his planned initiatives with respect to the strategic class functional objectives
- SPMs are an assessment of the Contractor's commitment to:
  - achieving HCCS EG System Readiness (SPM1)
  - achieving Naval Material Assurance for the HCCS EG Systems (SPM2)
  - sustaining the HCCS EG Systems' Design Intent (SPM3)
  - achieving a Capable Support System (SPM4)
  - delivering an efficient and affordable support system for the HCCS EG (SPM5)
  - implement strategic initiatives derived from an effective and efficient knowledge management system to improve the HCCS EG support system (SPM6)
  - delivering the HCCS EG ISS services in a collaborative environment with Canada (SPM7)
  - delivering its Industrial and Technological Benefits (ITB) and Value Proposition (VP) requirements to Canada (SPM8)



# Key Performance Indicator (KPI)

- KPIs measure performance with respect to the following outcomes:
  - System Availability using Operational Deficiency Reports (KPI-1)
  - Contractor Supply Chain Performance using the Contractor's demand satisfaction rate with respect to parts and consumables (KPI-2, KPI-3)
  - The Contractor's management of obsolescence risk (KPI-4)
  - The Contractor's effectiveness in resolving technical problems (KPI-5)
  - The Contractor's effectiveness in delivering his ITB/VP commitments (KPI-6)

KPI	Description	Weight Factor ( $W_i$ ) %
KPI 1	System Availability	40
KPI 2	Contractor Supply Chain Performance High Priority	10
KPI 3	Contractor Supply Chain Performance	10
KPI 4	Obsolescence Risk	15
KPI 5	Technical Problem Resolution	15
KPI 6	ITB and VP	10
	$W_i$ Totals	100%



# Performance Requirements Specification

## KPI 1 – System Availability

- Availability is determined by computing the number of HCCS EG Operational Deficiency (OPDEF) Days. OPDEF Days will be calculated using the date time groups in the OPDEF reports.
- This KPI will measure the quantity and duration of the OPDEFs raised, categorized by severity, over the measurement period. A separate value will be calculated for each of the six HCCS EG systems.
- OPDEF Days are the total number of days, or parts thereof, that the system had an OPDEF of the applicable category as determined across the fleet for the 12-month measurement period.
  - Category 1 OPDEF = 1.0 Weighting
  - Category 2 ODPEF = 0.5 Weighting
  - Category 3 OPDEF = 0.25 Weighting
- Target Levels / System
  - Minimum 40 OPDEF Days
  - Desired 10 OPDEF Days



# Performance Requirements Specification

## KPI 2 – Contractor Supply Chain Performance High Priority Requests

## KPI 3 – Contractor Supply Chain Performance

- Measures the Contractor's performance in satisfying (high priority) supply chain demands for items, both consumables and repairable items
- Demand Satisfaction Rate (DSR), is the proportion of Contractor (high priority) supply chain demands delivered satisfactorily
- An item is counted as having been Delivered Satisfactorily if all of the following are met:
  - a. Correct Part Number / NATO Stock Number (NSN) was delivered
  - b. Correct quantity of parts were delivered
  - c. All parts were delivered to the proper Handover point
  - d. All parts were delivered within the allotted time as specified in the demand request
- All items need to be delivered to designated Handover Points - Base Logistics Supply Warehouses located in Halifax and Esquimalt. However under certain conditions items may need to be delivered to ships in foreign ports in which case an alternate Handover Point will be specified.
- Target Levels : Minimum = 90%, Desired = 98%

# Performance Requirements Specification

## KPI 4 – HCCS EG Obsolescence Risk

- As the HCCS EG system obsolescence risk rises, the likelihood of an impact on the availability of the HCCS EG increases.
- Incentive is based on the combined risk assessment of the obsolescence state of each HCCS EG system.
- Minimum level is that no HCCS EG system has a high obsolescence risk assessment and that at least one HCCS EG system has a low obsolescence risk assessment
- Desired level is that each HCCS EG system has a low obsolescence risk assessment

HCCS EG Risk Assessments	Performance Score Value ( $PS_{KPI-4}$ )
All low	100%
1 medium + 5 lows	$5/6 \times 100\%$
2 mediums + 4 lows	$4/6 \times 100\%$
3 mediums + 3 lows	$3/6 \times 100\%$
4 mediums + 2 lows	$2/6 \times 100\%$
5 mediums + 1 low	$1/6 \times 100\%$
6 mediums	0%
Any high	0%

# Performance Requirements Specification

## KPI 5 – Technical Problem Resolution

- A measure of the Contractor's performance in implementing solutions to technical problems
- Measured by the proportion of technical problems resolved by the Contractor, as specified in the Technical Problem Management System (TPMS), throughout the calendar year
- Target Levels : Minimum = 90%, Desired = 98%



# Performance Requirements Specification

## KPI 6 – Industrial and Technological Benefits (ITB) and Value Proposition (VP)

- Measures the Contractor's pace of achievement against the Value Proposition (VP) commitments.
- Calculation of the achieved level of performance will be assessed by the achievement of ITB credits against the VP commitments

Contract Year	VP Commitments Achieved	Performance Score Value (PS <sub>KPI-6</sub> )
1	> 5%	100%
2	> 25%	100%
3	> 50%	100%
4	> 55%	100%
5	> 65%	100%
6	> 75%	100%
All Subsequent Years	> 75%	100%



# System Health Indicator (SHI)

- SHIs are indicators of the overall effectiveness of the Contractor's performance in providing and conducting ISS
- SHIs provide lead indicators to ISS issues that, if not corrected, could result in degradation of the higher level outcomes
- SHIs constitute the suite of metrics that will be monitored for negative trends and cautionary indications



# System Health Indicator (SHI)

SHI 1: **OPDEFs** – count of OPDEFs raised per system per quarter

SHI 2: **OPDEFs per Category per RCN Day** – normalized rate of new OPDEFs per system

SHI 3: **Corrective Maintenance Actions** – count of # of CMAs per system

SHI 4: **Corrective Maintenance Actions per RCN Day** – normalized rate of CMAs

SHI 5: **Component Repair Rate** - the number of HCCS EG components being returned to the Contractor for repair

SHI 6: **Field Service Rep Response Compliance** – FSR responsiveness measure

SHI 7: **AOP Performance** – Earned Value Analysis against Work in the AOP

SHI 8: **HCCS EG Support Improvements** - measures the value of the proposed and implemented initiatives from the Contractor's continuous improvement and value engineering programs.

SHI 9: **Configuration Compliance** - the trend of the number of non-compliant configuration issues per system

SHI 10: **Security Effectiveness** - assessment of the effectiveness of the Contractor's implemented security control measures and processes

SHI 11: **Materiel Accountability** - measuring the quantity and value of items held by the Contractor that is unaccounted for



# RFI Feedback



# RFI Feedback

## HCCS IN-SERVICE SUPPORT (W8482-168150/B)

- RFI Posted on Buyandsell.gc.ca on 10 Aug 2016
- Purpose for requesting Industry Feedback:
  - Request industry feedback on the draft Statement of Objectives, the draft Performance Work Statement and the draft Performance Requirements Specification.
  - Request industry feedback on the draft Industrial and Technological Benefits and Value Proposition (ITB/VP) approach
  - The information provided by industry may be used to support Canada's decision-making process such as finalizing requirements and determining the procurement strategy.
- Feedback was due on 4 Nov 2016 – responses received from 5 companies



# RFI Feedback Summary – Q1

1. DND encourages innovation in the delivery of In-Service Support. The enclosed PWS represents one option DND is considering for the long-term support of the HCCS EG.

a) Are there any other Work items that Canada should consider adding to the HCCS ISSC scope of work?

## **Feedback:**

- Respondents noted our documents were thorough and clear
- No new work items were identified other than initial baseline establishment of inventory, configuration, system status, DRMIS data, etc.



# RFI Feedback Summary – Q1

1. DND encourages innovation in the delivery of In-Service Support. The enclosed PWS represents one option DND is considering for the long-term support of the HCCS EG.

b) Are there any areas in the PWS where additional information would be helpful in clarifying the requirements? What sort of information might be required?

## **Feedback:**

- Minor clarifications requested in a few specific PWS areas
- Concerned about possible work duplication with FMF and opportunities for sharing resources with FMF
- Baseline / materiel state of the HCCS EG requested
- Clarification sought of who pays for supportability upgrades
- Clarification about RCN attributable impact on Performance Measures
- Clarification of what comprises the TDP



# RFI Feedback Summary – Q1

1. DND encourages innovation in the delivery of In-Service Support. The enclosed PWS represents one option DND is considering for the long-term support of the HCCS EG.
  
- c) Can Industry recommend any other options for long-term support of the HCCS EG that Canada should consider? Please provide reasons and supporting rationale.

## **Feedback:**

- No other long-term support options were identified
- Requests for Industry Engagement / Working Group sessions
- Recommendation for having a Contractor with experience





# RFI Feedback Summary – Q2

2. DND is moving away from its traditional approach to materiel management. It is adopting an In-Service Support model wherein the Contractor will procure, own and warehouse all repairable and consumable items until installed or consumed aboard a *Halifax*-class vessel...

a) What risks and benefits to both DND and Industry does Industry foresee with this approach to materiel management?

## **Feedback:**

- DND will miss opportunistic buys of spares
- DND will find it difficult to budget effectively for materiel usage until the support contract reaches a steady state
- Industry will have to hold excess material or pay a premium for material until the operational tempo and material usage reaches steady state
- Industry can apply its best practices
- While highly supportive of the proposed construct, a financial model which compensates the Contractor for the cost of carrying these assets would need to be developed



# RFI Feedback Summary – Q2

2. DND is moving away from its traditional approach to materiel management. It is adopting an In-Service Support model wherein the Contractor will procure, own and warehouse all repairable and consumable items until installed or consumed aboard a *Halifax*-class vessel...
- b) Can Industry recommend other materiel management models that Canada should consider

## **Feedback:**

- Recommends holding Industry Engagement / Working Group sessions
- Review feedback from AOPS and JSS ISS (AJISS) sessions
- Recommend a hybrid of Contractor Owned / Gov Owned materiel if the operational tempo of ship deployed is subject to large-scale fluctuations for an extended period
- Shared incentives with suppliers and OEMs



# RFI Feedback Summary – Q3

3. The PRS lists performance requirements and the measures and indicators which will be used to evaluate the Contractor.

a) Can Industry provide feedback on the listed Performance Measures and Indicators or the data collection/reporting methodologies?

## **Feedback:**

- Provided some minor suggestions for the Obsolescence KPI and the OPDEFs per Category per Day SHI and the AOP Performance SHI
- Cautioned about effort to collect data / compute metrics
- Concern about impact of DND's actions on Performance Metrics results
- Suggest using a Superior threshold in addition to Minimum and Desired
- Suggest reviewing utility of metrics on regular basis
- Earned value may not be the most appropriate measure of performance on a support contract as it could lead to optimization of SPI and CPI rather than an optimization to meet a dynamic operational tempo
- KPIs 4, 5, 6 could benefit from additional explanation



# RFI Feedback Summary – Q3

3. The PRS lists performance requirements and the measures and indicators which will be used to evaluate the Contractor.

b) Can Industry recommend any additional performance measures or indicators that Canada should consider?

## **Feedback:**

- Suggested a new KPI around Backlogged Preventative Maintenance Actions
- Don't see different measures needed than those proposed in PRS
- track the frequency of actual inherent failures versus damage modes or no fault found to identify equipment reliability trends
- Additional possible measures in areas of maintainer average wait time and pre-installation failures



# RFI Feedback Summary – Q4

4. Canada intends to host Industry Days and hold One-on-One meetings with Industry regarding the long-term support of the HCCS EG.

a) Can Industry propose any specific topics for discussion?

## **Feedback:**

- Everybody endorses early engagement through Industry Days or One-on-Ones
- Goals and objectives of HCCS
- History and drivers that resulted in HCCS ISS being where it is today
- Intent of the contractual structure that is being proposed today
- Expectations from industry
- Performance Metrics
- Intellectual Property
- Supply Chain Concept of Operations
- Low level mechanics of the various ISS Activities
- Role of the FMF
- Business model for contractor ownership of consumables
- Use of DRMIS versus the use of other industry options



# RFI Feedback Summary – Q5

5. As outlined in the PWS, the In-Service Support will transition from a start-up to a steady-state phase.

a) What are the risks in transitioning from start-up to steady-state phases?

## Transition Risk

- Re-assessment of obsolescence exposure;
- Existing parts inventory assessment;
- Repair chain verification; and
- Industry in-service support staff training
- Ability to establish a reliable steady state with respect to operational tempo and equipment burn in
- May be a need to review and re-baseline the steady state based on major changes to assumptions
- Actual MTBFs not as optimistic as predicted, resulting in spares availability problems
- Unrefined spares and provisioning levels
- Improperly defined or baselined metrics.





# RFI Feedback Summary – Q5

5. As outlined in the PWS, the In-Service Support will transition from a start-up to a steady-state phase.

b) How quickly does Industry believe they can transition from the start-up to steady-state phase?

## Timeframe

- 12 months is adequate assuming availability of DND resources is unconstrained
- transition timeframe will depend on the establishment of a reliable operational tempo model by the user
- relates to the transitioning at least one if not two ships through the full-support cycle of docking periods
- 1 to 3 years depending upon obsolescence and existing inventory status
- Steady state is not normally achieved for two or three years. However, barring any unforeseen issues, an experienced in-service support contractor could be expected to achieve steady-state in 12 to 18 months, less the implementation of performance metrics





# RFI Feedback Summary – Q5

5. As outlined in the PWS, the In-Service Support will transition from a start-up to a steady-state phase.

c) What objective evidence does Industry propose should be provided to prove they can enter the steady-state phase?

## Objective Evidence to Progress to Steady-State

- Staffing Metrics
- Material Readiness, Consumables, Spare Parts availability
- TAA's / Industry Agreements / Government – Government Export Permits/ etc. in place
- Contracts in place with all Subcontractors
- Classified Parts repair agreements
- Operational Tools Sets in Place (e.g. DRMIS interface)
- Validation of the industry's material stocking models through at least one full ship maintenance cycle coupled with at least two satisfactory performance reports
- suggest that a Contractor Readiness Review be held prior to the declaration of 'Steady State', on or near month 12
- Completion of all plan, policy and process documents



# RFI Feedback Summary – Q6

6. Please describe and provide an example if possible of the pricing model/basis of payment that could be used for the services described in the requirement.

## **Feedback:**

- Monthly Management Fee + Core Work Taskings established yearly based on the Annual Operating Plan
- Scope for the Monthly Management Fee should be defined in detail and well documented to avoid potential disputes
- Start-up period: milestone delivery basis of payment model for deliverables with most of the effort originating from emergent work type
- Steady state phase: core work would be on an LOE payment with invoicing for material and emergent work
- Proposes a potential model of Firm Fixed Price for core and AOP with Fluctuation Allowance offering price predictability for emergent work.
- Rate based core services in accordance with the AOP
- Time and materials structure with a base fee plus incentive/penalty model, fixed firm prices for mature elements, and power by the operating hour for engineering services, to be paid via firm monthly price subject to post AOP adjustment



# RFI Feedback Summary – Q7

7. Please identify any other risks, issues, concerns or recommendations not addressed above.

## **Feedback:**

- The proposed 6+1 year contracting model is not ideal for a fixed price, performance-based contract as it does not encourage investment to improve.
- Recommend that a five-year block incremental model be considered after initial base contract, while still maintaining the yearly review of AOP requirements.
- While the PWS is very thorough and comprehensive as presented, it still needs an overall review for conflicts and for completeness
- Effectiveness of the intended management structure is a critical success enabler. All stakeholders must be involved, including the FMF, PSPC and operational community in addition to the Contractor.



# RFI Feedback Summary – Q7

- Fundamental issue is the OEM Intellectual Property
  - Concern with requirement of OEM background IP turn over to third parties
  - Negotiations with each OEM is onerous for the prime and for the OEMs
  - Possible uneven playing field as different agreements are created
  - No simple cost-effective way to obtain rights, licenses and agreements that is meaningful and enforceable after contract award
- Canada's Position to above concerns
  - Canada has no requirement for the OEM to turn over their background IP to third parties
  - Canada expects that the Contractor will negotiate arrangements with each OEM such that the Contractor can handle the HCCS EG parts and technical data while each OEM will still likely perform the engineering, repair and overhaul work for their systems
  - Canada acknowledges the efforts required but such negotiations happen routinely between companies and it is up to Industry to reach agreements which are beneficial to all parties and satisfy Canada's requirement



# ITB/VP Feedback Summary

In general, supportive of Innovation Science and Economic Development Canada (ISED) ITB/VP strategy but Industry is concerned with:

- being forced to allocate the 100% into fixed %'s for Export, Research & Development, Small Medium Business, etc.
- potential to game the VP
- no incentive to support other bidders
- VP objectives and contract/budget objectives not being aligned
- Suggest having Industry Workshops to discuss ITB/VP
- a very significant portion of the overall evaluation criteria should reside in direct, HCCS ISS-related defence sector metrics
- All activities are best measured as an overall percentage commitment of the contract value. This leaves the most flexibility for bidders to determine from a business perspective the best way they want to make their investments.
- Recommend that the Value Proposition scoring for this program not exceed 10% of the total evaluation score. Instead, we would recommend that Canada impose a minimum direct Canadian content requirement to ensure that Canada retain our ISS Capabilities.
- Recommend a weighting of 15% as most Canadian content will be in the form of Canadian labour, with limited use of Canadian suppliers due to ITAR and IP restrictions.

# ITQ Summary



# Invitation To Qualify (ITQ)

- An ITQ process will be used to pre-qualify responsive suppliers for the upcoming RFP solicitation
- Only Qualified Respondents will be permitted to bid on the subsequent bid solicitation
- Objective is to evaluate the managerial and technical capability of a company to perform the work required for the ISS of the HCCS EG
- Each response will be reviewed for compliance with the mandatory requirements of the ITQ. Responses that do not comply with each and every mandatory requirement will be considered non-responsive and given no further consideration.





# Invitation To Qualify (ITQ)

- Anticipated Timeframes:
  - Draft Invitation to Qualify (ITQ) Released via the HCCS ISSC RFI on Buyandsell.gc.ca for Industry Feedback in Dec 2016
  - Final ITQ Released on Buyandsell.gc.ca in Feb 2017
  - ITQ Closes March 2017 (ITQ Release + 1 month)
  - ITQ Evaluations Complete April 2017 (ITQ Close + 1 month)



# Invitation To Qualify (ITQ)

<u>Qualification Number</u>	<u>Qualification Title</u>	<u>Qualification Item</u>	<u>Proof of Compliance</u>
1	OEM Support	The Respondent must demonstrate their capability to work with all of the HCCS EG OEM's or their authorized representatives to provide In-Service Support for all of the HCCS EG systems.	<p>Provide proof of the HCCS EG OEM's (or their authorized representatives) agreement to work with the Respondent in the forms of:</p> <p>Letters from all of the HCCS EG OEMs or their authorized representatives agreeing to work with the Respondent to support their respective HCCS EG systems.</p> <p>Names, addresses and points of contact for all companies involved.</p>
2	Canadian Company	The Respondent must be incorporated and in good standing in Canada.	<p>Provide copy of the Certificate of Incorporation.</p> <p>Provide information regarding the Canadian Respondent including: company name, address, e-mail address, phone number.</p>

# Invitation To Qualify (ITQ)

<u>Qualification Number</u>	<u>Qualification Title</u>	<u>Qualification Item</u>	<u>Proof of Compliance</u>
3	Security Requirement	The Respondent must possess the capability to manage Secret caveat CANUS information.	Provide confirmation that the Respondent possesses a valid PWGSC Secret caveat CANUS accreditation, or a letter committing the Respondent to achieve the necessary accreditation by Contract Award.  Limited to 2 pages.
4	Project Management Experience	The Respondent must demonstrate Project Management experience managing a Defence project within the last 10 years. This project must have exceeded \$50M and have had a minimum duration of three (3) years.	Provide a summary of the Project Management experience from a Defence project. Describe the scope of the work, the project team size, total \$ value of the project and time span of the project.  Limited to 2 pages.



# Invitation To Qualify (ITQ)

<u>Qualification Number</u>	<u>Qualification Title</u>	<u>Qualification Item</u>	<u>Proof of Compliance</u>
5	Contractor Management Experience	The Respondent must demonstrate Project management experience managing a minimum of five (5) concurrent contractors over a minimum period of three (3) years for a single Defence project.	<p>Provide a description of the Defence project, listing the names of the contractors and the product or services they delivered.</p> <p>Describe process(es) used to manage the contractors and provide examples of how contractor issues were resolved.</p> <p>Limited to 3 pages.</p>



# Invitation To Qualify (ITQ)

<u>Qualification Number</u>	<u>Qualification Title</u>	<u>Qualification Item</u>	<u>Proof of Compliance</u>
6	Intellectual Property Management Experience	The Respondent must demonstrate experience in managing Intellectual Property (IP) for a Defence project. This experience must include the management of contractor IP. This experience must include the management of background and foreground IP.	<p>Provide a summary of the experience in managing Intellectual Property for a Defence project.</p> <p>Describe how contractor Intellectual Property was managed and provide examples of how any issues were resolved.</p> <p>Provide examples in which the Respondent identified foreground vs background IP and describe its process for the identification.</p> <p>Provide examples in which the Respondent obtained necessary background IP access licenses from OEMs to conduct the work -- this may be supported by copies of license agreements.</p> <p>Limited to 4 pages. (does not include copies of license agreements)</p>

# Invitation To Qualify (ITQ)

<u>Qualification Number</u>	<u>Qualification Title</u>	<u>Qualification Item</u>	<u>Proof of Compliance</u>
7	Repair & Overhaul Experience	The Respondent must demonstrate experience within the past 10 years conducting and managing \$20M or more of Repair & Overhaul activities on a single Defence Support contract.	Provide examples of the Repair & Overhaul activities managed or performed exceeding \$20M on a single contract.  Limited to 2 pages.
8	Supply Chain Experience	The Respondent must demonstrate experience within the past 10 years conducting and managing \$20M or more of Supply Chain activities on a single Defence Support contract.	Provide examples of Supply chain activities (eg. inventory control, warehousing, spare parts acquisition, distribution) managed or performed exceeding \$20M on a single contract.  Limited to 2 pages.



# Invitation To Qualify (ITQ)

<u>Qualification Number</u>	<u>Qualification Title</u>	<u>Qualification Item</u>	<u>Proof of Compliance</u>
9	Technical Data Management Experience	The Respondent must demonstrate experience within the past 10 years conducting and managing Technical Data Management activities exceeding 10000 documents/drawings/artifacts on a single project.	Provide examples of technical data management activities managed or performed exceeding 10,000 documents/drawings/artifacts on a single project.  Limited to 2 pages.





# Invitation To Qualify (ITQ)

<u>Qualification Number</u>	<u>Qualification Title</u>	<u>Qualification Item</u>	<u>Proof of Compliance</u>
10	Import/Export Control Experience	The Respondent must demonstrate experience with Defence materiel and services import and export control regulations.	<p>Provide a description of policies and procedures used to import and export defence materiel and services between Canada, US and Europe. Provide one example of importing/exporting defence materiel and services to each of the US and Europe.</p> <p>Demonstrate the management of import and export licenses and the procedures used to mitigate any ITAR and CTAT issues.</p> <p>Provide copies of certificates, licenses and agreements obtained to support the examples provided from other projects that authorize the import and export of defence materiel and services.</p> <p>Limited to 2 pages (excluding the copies of certificates, licenses and agreements).</p>

# Invitation To Qualify (ITQ)

<u>Qualification Number</u>	<u>Qualification Title</u>	<u>Qualification Item</u>	<u>Proof of Compliance</u>
11	Industrial and Technological Benefits	The Respondent must demonstrate acceptance to application of Canada's Industrial and Technological Benefits (ITB) under the HCCS ISS project. This includes a commitment to ITB totaling 100% of contract value measured in Canadian Content Value.	Formal written confirmation accepting application of the ITB policy, which includes a commitment to ITB totaling 100% of contract value measured in Canadian Content Value for the HCCS ISS project.  Written confirmation in the form of a written letter, attestation or certificate, to be signed by an officer of the company, for example: VP, CFO, COO, CEO.



# Closing Remarks

