

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

Working Group Session #2

12 October 2017



Agenda and Timeline

Start	Item	Presenter
0900	Opening Remarks	Gary Vrckovnik
0910	Bid Evaluation Plan	Gary Vrckovnik
0920	Technical Bid Evaluation	Gary Vrckovnik
0945	Financial Bid Evaluation	Marie-Andrée Fortin
1000	Industrial Technological Benefits	Mark Gray
1010	Economic Benefits Evaluation Plan	Mark Gray
1030	Closing Remarks	Gary Vrckovnik
1100 - 1600	One – on – One Sessions	Industry



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



Industry Engagement

- Intent is for Industry to provide recommendations and feedback on key aspects of the RFP
- Session #1 Date: 26 September 2017, 9h-16h
 - Topics: Discussions on the Performance Work Statement (PWS), the Performance Requirements Specification (PRS), Data Item Descriptions (DID), and Materiel Management Working Group.
- Session #2 Date: 12 October 2017, 9h-16h
 - Topic: Industrial and Technological Benefits / Value Proposition and RFP Bid Evaluation
- Session #3 Date: 26 October 2017, 9h-16h
 - Topics: Contract terms and conditions and Basis of Payment
- Additional sessions in November if necessary



Rules of Engagement

- Note: All documents related to this procurement 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:
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HCCS Bid Evaluation



Bidder Selection Goal

Goal: To select a clear winning bidder that is capable of doing the work

Challenges: Identify, develop and implement distinguishing criteria to select a clear winning bidder

- Selection of evaluation criteria must allow for:
 - robust discriminators among proposals
 - significant coverage of the technical, contractual, economic benefit work requirements (PWS)

Other goals: Provide Canada with the confidence that the winning bidder can perform the work and meet all requirements.

To ensure fairness and minimize the risk of challenges and a failed procurement, we must avoid creating a situation in which the bidder(s) need to get information from the OEMs.



Contractor Selection Methodology

- Ranking of Responsive Bidders will be based on combined scores for the technical, financial and economic benefits bid submission:
- Technical Bid – 55%
 - 4 Mandatory Technical Evaluation Criteria
 - 16 Point-rated Technical Evaluation Criteria
- Financial Bid – 30%
- Economic Benefits Bid – 15%
- The two-step process will be used for mandatory requirements



Technical Bid Evaluation Plan



Mandatory Technical Evaluation Criteria

- **Project Manager:**

- Eight (8) years' experience in the last 10 years in project management of a Defence systems engineering or Defence systems maintenance contract
- Contract(s) must have value of at least \$5M per year
- Certification from Project Management Institute as a Project Management Professional
- If proposed PM doesn't have the certification, he/she must have a minimum of 10 years' experience within the last 15 years

- **Senior Systems Engineer:**

- Eight (8) years' experience in the last 10 years performing engineering work on Defence systems
- Registered to practice as a Professional Engineer in Canada or commitment to complete registration no later than 12 MACA



Mandatory Technical Evaluation Criteria

- **East Coast Representative**
 - Six (6) years' experience in the last 10 years performing Defence systems engineering or Defence systems maintenance work
- **West Coast Representative**
 - Six (6) years' experience in the last 10 years performing Defence systems engineering or Defence systems maintenance work
- **Note:** Each of these 4 positions must be filled by different individuals



Point Rated Technical Criteria Development

- Tailored the Sustainment Initiative principles to the HCCS ISSC requirements
 - Performance – Maintaining the Design Intent and Availability of the HCCS Equipment Group;
 - Value for money – Materiel, Continuous Improvement, Value Engineering;
 - Flexibility – Schedule, Surge; and
 - Economic benefits – covered by ISEDC requirements
- As we have an outcome based performance work statement we will be evaluating the bidder's approach and ability to achieve the desired outcomes
 - Unlike past RFPs we will not be evaluating plans. Instead we will be evaluating the bidder's approach and ability to meet each technical criteria.
 - Plans will be approved and accepted by Canada after Contract Award



Work Element Difficulty

Very Difficult	X	B	C
Difficult	X	B	C
Moderate	X	A	B
Easy	X	X	B
	Low	Medium	High

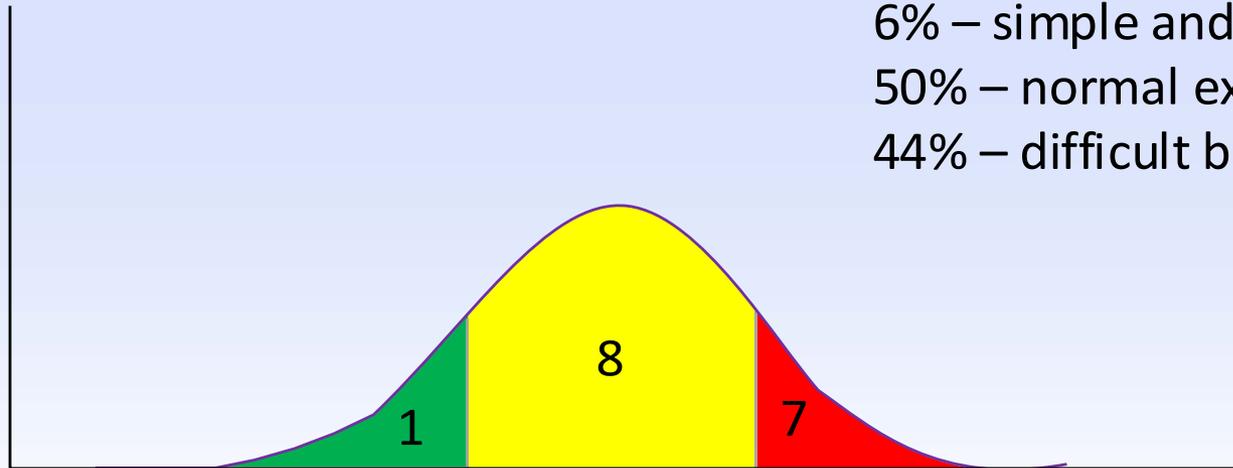
Weighting Factor

- C – Significant Discriminator 5
- B – Substantial Discriminator 3
- A – Simple Discriminator 1
- X – Negligible Discriminator

Work Element Priority



Criteria Distribution



Question Distribution Ratio

6% – simple and easy

50% – normal expected

44% – difficult but knowledge expected



Bidder's Guidelines

The information that should be included in the bid for each of the point rated technical evaluation criteria is:

- a description of the approach;
- a description of why the particular approach was chosen;
- a description of the approach's assumptions, constraints, risks and risk mitigation strategies;
- a description of how the approach relates to and impacts other aspects of the work;
- a description of the processes that will be followed to implement the approach;
- a description of the organizational structure of key roles and responsibilities that are accountable for the delivery of the technical approach;
- specific examples of relevant past experience within the last 10 years which support the approach and any lessons learned that can be applied to the approach;



Technical Criteria Evaluation

- Each Point Rated Technical Criteria will be evaluated and assigned a score of 0 – 10 based on the following word scale.
- Each Point Rated Technical Criteria has been assigned a weighting factor based on the combination of priority and difficulty of the work element
- Note that to obtain a score greater than 6 (Good) the response to the Point Rated Technical Criteria must demonstrate an innovative approach
- Note that within the Word Scale, Canada interprets “an Innovative Approach” to mean an original / novel approach that is feasible and viable, using advanced techniques and processes which will result in increased productivity, efficiency, effectiveness, or quality with fewer risks.



Point Rated Technical Evaluation Criteria Word Scale

Score	Description
Excellent - 10	<p>The proposal demonstrates that the Bidder meets this rated Criteria element. The proposal includes an innovative approach that will significantly enhance the service delivery or project performance. The requirement is fully understood. There are no apparent weaknesses that would affect the achievement of the work associated with this Criteria element. All aspects (100%) of the approach are supported with examples of relevant past experience and lessons learned.</p>
Very Good - 8	<p>The proposal demonstrates that the Bidder meets this rated Criteria element. The proposal includes an innovative approach which will enhance the service delivery or project performance. The requirement is fully understood. There are weaknesses which should not affect the achievement of the work associated with this Criteria element. Virtually all aspects (80-99%) of the approach are supported with examples of relevant past experience and lessons learned.</p>
Good - 6	<p>The proposal demonstrates that the Bidder meets this rated Criteria element. The requirement is understood. The response has substance but there are shortcomings which are correctable, for which at least one risk is identified by Canada, and which may impact the accomplishment of the Criteria element. These shortcomings may adversely affect the HCCS availability or project schedule, cost, or scope. Most aspects (60-79%) of the approach are supported with examples of relevant past experience and lessons learned.</p>
Weak - 4	<p>The proposal fails to demonstrate that the Bidder meets this rated Criteria element. The requirement is not understood. The response has shortcomings which will be a challenge to overcome, for which multiple risks are identified by Canada, and which will impact the accomplishment of the Criteria element. These shortcomings will adversely affect the HCCS availability or project schedule, cost, or scope. Some aspects (40-59%) of the approach are supported with examples of relevant past experience and lessons learned.</p>
Inadequate - 2	<p>The proposal fails to demonstrate that the Bidder meets this rated Criteria element. The requirement is not understood. The response has shortcomings which cannot be resolved, for which several risks are identified by Canada, and which will significantly impact the accomplishment of the Criteria element. These shortcomings will adversely affect the HCCS availability, project schedule, cost and scope. Past experience and lessons learned examples are not provided.</p>
Non-Responsive - 0	<p>There is no response to the rated Criteria Element, or the response provided is not applicable to rated Criteria element.</p>

Point Rated Technical Evaluation Criteria

No.	Technical Criteria	Scoring	Weighting Factor	Max Points
1	<p>How will the bidder determine the level of support to be provided by each of the HCCS OEMs and how will the bidder obtain this level of support from each of the HCCS OEMs?</p> <p>A written submission not to exceed 30 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	5	50
2	<p>How will the bidder approach the start-up phase and what activities does the bidder intend to undertake to minimize the time to establish a full service delivery capability to reach the steady-state phase? Note as OEM arrangements were addressed in Question 1, you do not need to repeat that information here.</p> <p>A written submission not to exceed 30 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	5	50

No.	Technical Criteria	Scoring	Weighting Factor	Max Points
3	<p>How will the bidder implement the Performance Management Framework to enable Canada to assess, measure and monitor the Contractor's performance?</p> <p>A written submission not to exceed 25 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	3	30
4	<p>How will the bidder establish and manage a security program to protect the HCCS EG mission-critical components supply chain from threats and vulnerabilities to ensure the continuity of RCN missions?</p> <p>A written submission not to exceed 30 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	5	50
5	<p>How will the bidder manage IP to ensure that the work specified in the PWS is completed?</p> <p>A written submission not to exceed 20 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	1	10

No.	Technical Criteria	Scoring	Weighting Factor	Max Points
6	<p>How will the bidder establish, manage and maintain complete and accurate configurations of the HCCS EG to ensure that the HCCS EG design intent is maintained?</p> <p>A written submission not to exceed 25 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	3	30
7	<p>How will the bidder manage the obsolescence of the HCCS to ensure that the HCCS EG remains supportable throughout its service life?</p> <p>A written submission not to exceed 25 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	3	30
8	<p>How will the bidder manage and maintain the HCCS technical data to ensure the availability of up-to-date and accurate technical data?</p> <p>A written submission not to exceed 25 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	3	30

No.	Technical Criteria	Scoring	Weighting Factor	Max Points
9	<p>How will the bidder maintain the HCCS EG to ensure that availability is achieved and design intent is met?</p> <p>A written submission not to exceed 30 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	5	50
10	<p>How will the bidder approach Continuous Improvement and Value Engineering to achieve the lowest possible life cycle cost for the HCCS EG?</p> <p>A written submission not to exceed 30 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	5	50
11	<p>How will the bidder approach Technical Problem management to ensure there are no disruptions to the operation of the HCCS EG and identify any residual risk?</p> <p>A written submission not to exceed 25 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	3	30

No.	Technical Criteria	Scoring	Weighting Factor	Max Points
12	<p>How will the bidder manage materiel to ensure that the HCCS EG availability is maintained?</p> <p>A written submission not to exceed 25 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	3	30
13	<p>How will the bidder manage scheduled work to accommodate changes to provide uninterrupted services and support to the RCN and ensure that all work is completed and the key milestones are achieved?</p> <p>A written submission not to exceed 30 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	5	50
14	<p>How will the bidder plan and schedule the HCCS work in the AOP to ensure that availability and design intent are achieved?</p> <p>A written submission not to exceed 30 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	5	50

No.	Technical Criteria	Scoring	Weighting Factor	Max Points
15	<p>How will the bidder establish and manage collaborative and effective working relationships with Canada and stakeholders to achieve mutually successful outcomes?</p> <p>A written submission not to exceed 25 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	3	30
16	<p>How will the bidder establish and manage a collaborative environment to share and exchange information with Canada and stakeholders to ensure optimum collaboration exists for planning, organizing and executing the work?</p> <p>A written submission not to exceed 25 pages in total is required</p>	<p>Excellent – 10 Very Good – 8 Good – 6 Weak – 4 Inadequate – 2 Non-Responsive – 0</p>	3	30
	<p>(*) In order to be considered compliant, the Point Rated Technical Evaluation Criteria bid must receive a score of at least 60% (360 out of 600) overall.</p>		Maximum Points Possible	600

Financial Bid Evaluation Plan



Financial Bid Evaluation

- To ensure fairness and minimize the risk of challenges and a failed procurement, we must avoid asking for financial information in which the bidder would be reliant upon input from the OEMs
- Bidder's must provide information for the first six (6) years of the Contract for the following sections:
 - Fully Loaded Labour Rates
 - Monthly Management Fee
 - Monthly Materiel Management Fee
 - Markup rates for Subcontractor costs
- For each individual section, Canada will compute the average
 - Any \$0.00 fully loaded labour rates will be excluded from the calculation
 - Any \$0.00 fully loaded labour rates will be in effect for the duration of the Contract
- The bid with the lowest computed average for each section will receive 25 points (maximum total for sum of all four sections = 100 points)
- All other bids will be pro-rated against the lowest computed average for each section



Financial Bid Evaluation

- The sum of the pro-rated points for the four (4) sections will represent the bid's total points
- The bid with the highest total points (scored out of 100) will receive the full Financial Bid Score of 30%
 - All other bids will be pro-rated against the highest total points using the following formula:

$$\text{Financial Bid Score} = \text{Bidder's Total Points} / \text{Highest Total Points} \times 30$$

- Any bid that is higher than, equal to or less than 40% of the average of all bids for the Monthly Management Fee or the Monthly Materiel Management Fee will receive a Financial Bid Score of 0%



Financial Bid Score Example

- Financial Bid Score = Bidder's Total Points / Highest Total Points x 30
- Sample Points from the 4 Sections (loaded labour rates, monthly mgmt. fee, monthly materiel mgmt. fee, markups)
 - Bidder A – 75 Total Points
 - Bidder B – 85 Total Points
 - Bidder C – 90 Total Points
- In this example, Bidder C has the Highest Total Points. The Financial Bid Score for Bidders A, B and C is calculated as follows:
 - Bidder A - Financial Bid Score: $75 / 90 \times 30 = 25.00$
 - Bidder B - Financial Bid Score: $85 / 90 \times 30 = 28.33$
 - Bidder C – Financial Bid Score: $90 / 90 \times 30 = 30.00$



Industrial and Technological Benefits



ITB Requirement

- ITB Requirement: Companies awarded defence procurement contracts are required to undertake business activity in Canada equal to the value of the contract.
- ITB Obligations are met through the undertaking of:
 - **Direct Transactions** (i.e. work packages in Canada that is directly related to the equipment/services the Government is procuring), and
 - **Indirect Transaction** (i.e. work packages in Canada that is outside the scope of what Canada is procuring and involves the other product or business lines other lines of business).
- HCCS Achievement Period (i.e. the dates in which ITB can be undertaken):
August 9, 2016 - end of HCCS contract.
- Only the Contractor and their Eligible Donors are able to undertake ITB activities to meet the ITB Obligation.



Value Proposition

- The Value Proposition represents the ITB activities / commitments provided by a bidder in its bid proposal to Canada.
- Value Proposition activities / commitments must align with the targeted areas identified on a procurement-by-procurement basis, and are subject to the bid evaluation process.



Economic Benefits Evaluation Plan



Economic Benefits Evaluation

- Two phase evaluation
 - Phase 1: Evaluation of ITB Mandatories and Plans
 - Phase 2: Evaluation of the Value Proposition
- Phase 1: Evaluation of ITB Mandatories and Plans
 - Evaluation of the Mandatory Requirements for each bidder;
 - Upon completion of the mandatory evaluation, results will be provided to the Contract Authority who will inform the bidder(s) whether or not their proposal(s) met the mandatory requirements.
 - Bidders whose proposals met the mandatory requirements will progress to Phase 2 of the evaluation
 - Bidders whose proposals do not meet the mandatory requirements will be subject to the two-step evaluation process



ITB Mandatory Requirements

In order to be deemed responsive, the Bidder must provide an ITB proposal which meets the following requirements.

1. Commitment to achieving ITB transactions valued at **100%** of the contract value;
2. Commitment to achieving Direct ITB transactions valued at **TBD%** of the contract value;
3. Commitment to achieving SMB ITB transactions valued at **15%** of the contract value;
4. Include in the Proposal:
 - Commit to identifying ITB transactions equal to **30%** of contract value within one year of contract award;
 - Commit to identifying ITB transactions equal to **60%** of contract value within two year of contract award;
 - Commit to identifying ITB transactions equal to **100%** of contract value within three years of contract award;
5. Accept all of the ITB Terms and Conditions, including performance guarantees
6. Include in the Proposal:
 - ITB Plans
 - Company Business
 - ITB Management
 - Regional
 - Small and Medium Business
 - Detailed Transaction Sheets for all identified transactions;
 - Mandatory Requirements Compliancy Certificate



Value Proposition Evaluation

- **Phase 2: Evaluation of Value Proposition**
 - All bidders that meet the mandatory requirements will undergo a scoring evaluation in accordance with the Value Proposition evaluation methodology contained in the evaluation plan
 - Once completed, ISED will inform the Contract Authority of the rated score for each bidder
- The Value Proposition for the HCCS is currently proposed to incentivize economic activities related to the following pillars:
 - **Defence Sector:** *Direct* HCCS work activities as well as *Indirect* activities in the Defence Sector;
 - **Skill Development** – Activities in the development and enhancement of Canadian-based ISS skills;
 - **Canadian Supplier Development:** Activities conducted by Canadian supply chain partners;
 - **R&D** – Activities for R&D in Canada as well as R&D activities involving Canadian Post-Secondary Institutions.



Value Proposition: Proposed Evaluation Framework

VP Pillar	VP Criteria	Scoring Calculation	Maximum Points
Defence Sector	Commitment to ITB in Direct Work <i>(For each 1% of contract value in Commitment, measured in CCV, generates 0.45 VP points)</i>	The Bidder with the highest total VP points will receive 45 points. All other Bidders will be prorated down Formula: (Bidder's total VP points / Highest Bidder's VP points) * 45 points	45 points
	Commitment ITB in Indirect activities in Defence Sector <i>(For each 1% of contract value in Commitment, measured in CCV, generates 0.225 VP points)</i>		
Canadian Skills Development	Commitment to Skill Development within In-Service-Support <i>(For each 1% of contract value in Commitment, measured in CCV, generates 0.25 VP points)</i>	The Bidder with the highest total VP points will receive 25 points. All other Bidders will be prorated down Formula: (Bidder's total VP points / Highest Bidder's VP points) * 25 points	25 points
Canadian Supplier Development	Commitment to work involving Canadian Suppliers <i>(For each 1% of contract value in Commitment, measured in CCV, generates 0.15 VP points)</i>	The Bidder with the highest total VP points will receive 15 points. All other Bidders will be prorated down Formula: (Bidder's total VP points / Highest Bidder's VP points) * 15 points	15 points
R&D	Commitment to undertake R&D in Canada with Post-Secondary Institutions <i>(For each 1% of contract value in Commitment, measured in CCV, generates 0.15 VP points)</i>	The Bidder with the highest total VP points will receive 15 points. All other Bidders will be prorated down Formula: (Bidder's total VP points / Highest Bidder's VP points) * 15 points	15 points
	Commitment to undertake R&D in Canada <i>(For each 1% of contract value in Commitment, measured in CCV, generates 0.075 VP points)</i>		
Total Point / Overall Weighting			100 points / 15 %

Value Proposition Proposed Evaluation Methodology

- Bidders will receive Value Proposition points based on the level of overall contract Commitment (including options), measured in Canadian Content Value, to achieve ITB Transactions within the given VP Pillar/Criteria.
 - Bidder commitment for the purposes of evaluation will only need to be expressed as a percentage of contract value.
- Bidders will not receive points for Value Proposition activities, measured in CCV, Committed in excess of 100% of their contract value.
- Evaluation is conducted under relational scoring (pro-rated) whereby the highest Bidder commitment receives maximum score and other bidders are rated accordingly.



BASIS OF RANKING OF BIDS AND CALCULATION OF OVERALL SCORES

		Bidder A	Bidder B	Bidder C
Calculations	Technical Merit Score	$400/600 \times 55 = 36.67$	$500/600 \times 55 = 45.83$	$370/600 \times 55 = 33.92$
	Value Proposition Score	$70/100 \times 15 = 10.50$	$90/100 \times 15 = 13.50$	$85/100 \times 15 = 12.75$
	Financial Bid Score	$75/90 \times 30 = 25.00$	$85/90 \times 30 = 28.33$	$90/90 \times 30 = 30.00$
Combined Score		72.17/100	87.66/100	76.67/100
Overall Ranking		3	1	2

Bidder B is the highest ranked responsive Bidder selected through the evaluation process



Questions for Industry

- Please provide feedback on our proposed point distribution of 55% Technical, 30% Financial, 15% Economic Benefits
- Please provide feedback on our proposed Technical Bid Eval Methodology
 - Risks of evaluating approaches (solutions) without evaluating plans
 - Will the criteria provide bidders flexibility in developing a proposed approach
 - Are the Bidder's Guidelines adequate
 - Is the Point Rated Technical Evaluation Criteria Word Scale adequate
- Please provide feedback on our proposed Financial Bid Eval Methodology
 - Any other pricing that can be evaluated (eg. Start up phase)
- Please provide feedback on our proposed Economic Benefits Bid Eval Methodology
 - Should Canada seek a requirement for a minimum level of direct work?



Closing Remarks



Session Feedback

- Please complete the feedback forms and hand them in before you leave
- All feedback is welcome and will be considered for the future working group sessions

THANK YOU FOR YOUR PARTICIPATION

- Please don't forget to Register for the Upcoming Working Group Session on 26 Oct

