

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

## **Working Group Session #3**

**26 October 2017**



# Agenda and Timeline

Start	Item	Presenter
0900	Opening Remarks	Gary Vrckovnik
0910	Contract Terms and Conditions	Gary Vrckovnik
0930	Basis of Payment	Gary Vrckovnik
0945	Health Break	--
1000	Breakout Session	Industry
1200	Closing Remarks	Gary Vrckovnik
1245-1615	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-16h15
  - Topics: Contract Terms and Conditions and Basis of Payment



# 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:  
**Marie-Andrée Fortin**  
**Supply Team Leader**  
**Public Services and Procurement Canada**  
**Marie-andree.fortin@tpsgc-pwgsc.gc.ca**



# Contract Terms and Conditions



# Limitation of Liability

## N0001C (2008-05-12) - Limitation of Contractor's Liability for Damages to Canada

- The limitations of liability are as follows:
  - \$10 Million per occurrence
  - \$20 Million per year
  - Either party has the option to terminate the Contract should the loss or cumulative losses exceed \$40 Million
- There is no limitation for third party losses
- This limitation of the Contractor's liability does not apply to:
  - any infringement of intellectual property rights; or
  - any breach of warranty obligations.



# Insurance

## G1001C (2013-11-06) - Insurance – Specific Requirements

- The Contractor must comply with the insurance requirements specified in the Contract
- Insurance must be maintained for the duration of the Contract
- The Contractor at its expense must decide if additional coverage is required
- Proof of compliance will be required 10 days after Contract Award



# Insurance

## **G5001C (2014-06-26) – Ship Repairers' Liability Insurance**

- Not less than \$10 Million per accident or incident or an amount greater for a like contract.

## **G2001C (2014-06-26) – Commercial General Liability Insurance**

- Not less than \$5 Million per accident or occurrence and in the annual aggregate, or an amount greater for a like contract

## **G3001C (2008-05-12) – All Risk Property Insurance**

- To cover all Government Property while in the Contractor's care, custody or control
- Replacement cost coverage, or on an Agreed or Appraised Valuation
- Proceeds payable to Canada unless otherwise directed



# Insurance

## **G2020C (2014-03-01) – Automobile Liability Insurance**

- Not less than \$2 Million per accident or occurrence or an amount greater for a like Contract

## **G2040C (2014-06-26) – Environmental Impairment Liability Insurance**

- Not less than \$5 Million per accident or occurrence in the annual aggregate or an amount greater for a like Contract

## **G2002C (2008-05-12) – Errors and Omissions Liability Insurance**

- Not less than \$5 Million per loss and in the annual aggregate, inclusive of defence costs or an amount greater for a like Contract



# Intellectual Property

## 4007 (2010-08-16) – Canada to Own Intellectual Property Rights in Foreground Information

- The Contractor must report and fully disclose to Canada all Foreground Information as required by the Contract
- All Intellectual Property Rights in the Foreground Information belong to Canada as soon as they come into existence
- The Contractor grants to Canada a license to use the Background Information to the extent that it is reasonably necessary for Canada to exercise fully all its rights in the deliverables and in the Foreground Information



# Warranty

## 4012 (2012-07-16) – Goods - Higher Complexity

- The Contractor warrants that, for twelve (12) months (or any other period stated in the Contract), the Work will be free from all defects in design, material or workmanship, and will conform to the requirements of the Contract



# Security Requirements

- SECRET with CANUS Caveat on some pieces of equipment within the MK XIIA IFF, CEROS200 Fire Control and NS9003A-V2HC Electronic Support Measures systems



# Bidder Definition

As per **2003 (2017-04-27) Standard Instructions - Goods or Services - Competitive Requirements Paragraph 04** the definition of a Bidder is:

*"Bidder"* means the person or entity (or, in the case of a joint venture, the persons or entities) submitting a bid to perform a contract for goods, services or both. It does not include the parent, subsidiaries or other affiliates of the Bidder, or its subcontractors.

However, for the purposes of the Bid Evaluation Technical Criteria Experience, the experience can come from the Bidder or the Bidder's Team. The Bidder's Team includes the parent, subsidiaries or other affiliates of the Bidder or its subcontractors that have a teaming arrangement to prepare the proposal to this RFP. The Bidder must fully disclose the names and roles of each member of the bidder's team, and may submit the experience obtained by each named member of the bidder's team to fulfil the evaluation requirements.



# Canadian Presence

- To ensure both the operational readiness and availability of the fleet, as well as the safeguarding of Canada's national security interests, it is essential that the Contractor have a Canadian based facility to accomplish key portions of the Work
- The Contractor must conduct all project management activities in Canada
- The Contractor must warehouse sufficient spares in Canada to ensure uninterrupted support and maintenance of the HCCS EG Design Intent



# Site Visit

Canada is considering offering site visits (Esquimalt and Halifax) during the Bid Solicitation Period

The visit might include – boarding a Halifax-class ship, visiting FMF facilities, visiting base supply

- Would this be useful?
- At what point in the Bid Solicitation Period should the visit be scheduled?
- Is a visit to both coasts required?
- Is there anything else you would like to see/do as part of the site visit?



# Basis of Payment

- Monthly Management Fee
  - Includes the cost of direct labour, overhead, general and administrative costs (G&A) and profit.
  - Includes all management functions associated with delivering all aspects of the HCCS PWS Work with the exception of any costs associated with Materiel Management
  - The Contractor will bill against this line item and Canada will pay via the monthly progress claim
  
- Monthly Materiel Management Fee
  - Includes the cost of direct labour, overhead, general and administrative costs (G&A) and profit.
  - The Monthly Materiel Management Fee must include all costs related to Section 5.9 Materiel Management of the PWS
  - The management of materiel and the management of the repair and overhaul activities are included
  - The cost of materiel and the repair costs are excluded
  - The Contractor will bill against this line item and Canada will pay via the monthly progress claim



# Basis of Payment

- Core Work
  - Identified in the AOP
  - Once the AOP has been approved by Canada, a Contract Amendment will be issued with a limitation of expenditure
  - The Contractor will bill against this line item
  - Canada will pay via the monthly progress claim and a holdback may be applied
- Use of 626 Task Authorizations for Emergent Work
  - The task authorization will specify the method of payment
- Performance Incentive
  - Paid annually based on the performance report of the previous year
  - There will be a line item in the Contract with a ceiling value
  - Canada will pay via a monthly progress claim



# AOP Example

Sample HCCS AOP  
1 April 2024 - 31 March 2025

Work Item	Core	Emergent		Core	Emergent
Configuration Management			Coastal Specific Spending Information		
Conduct Physical + Functional Audit on FRE	\$30,000		East Coast Specific	\$30,000	\$1,000,000
Conduct Physical Audit on CAL	\$10,000		West Coast Specific	\$10,000	\$2,000,000
Obsolescence Management			Ship Specific Spending Information		
Develop EC for obsolete part XXX on IFF		\$300,000	FRE	\$30,000	
			CAL	\$10,000	
Materiel Warehousing Costs	\$60,000		HAL		\$1,000,000
			VAN		\$2,000,000
Overhauls					
Overhaul SG180 Antenna on HAL		\$1,000,000			
Overhaul CEROS Reflectors on VAN		\$2,000,000	Unfunded Ideas for Possible Future Emergent Work		
			Investigate UAV Camera Integration with CEROS		\$3,000,000
Parts Repair					
Free-flow repair for SG180	\$500,000				
Free-flow repair for CEROS	\$650,000				
Free-flow repair for NSC26	\$150,000				
Free-flow repair for SmartS	\$350,000				
Free-flow repair for IFF	\$400,000				
Free-flow repair for ESM	\$750,000				
TDP Updates					
TDP Maintenance of all HCCS systems	\$400,000				
Engineering					
FSR Support Services		\$200,000			
EC Development for SmartS		\$350,000			
EC Implementation for IFF		\$400,000			
Technical Problem Solving	\$250,000				
	AOP				
	Totals	\$3,550,000	\$4,250,000		

# Basis of Payment – Questions Remaining

- Use of Milestones for HCCS?
  - What milestones, what value?
  - Possible milestones include
    - Plan Acceptance
    - Start up Phase Complete
      - DND Acceptance of Steady State Achievement Report
- Monthly Management Fee
  - What specifically should be included in the monthly management fee?
  - Eg. PRM costs, Insurance, Overhead, ...
- Monthly Materiel Management Fee
  - Do we need a separate Monthly Materiel Management Fee?
  - If so, what specifically should be included in the monthly materiel management fee?



# Contract T&Cs and Basis of Payment

## Breakout Session Details



# Breakout Session

## Contract T&Cs + Basis of Payment

- The purpose of this breakout session is to allow Industry to provide feedback on the Contract Terms and Conditions and the Basis of Payment for the HCCS ISSC. Canada will consider all feedback received and make the necessary changes to its documentation.



# Breakout Session – T&Cs, Basis of Payment

- Please provide feedback on the Contract Terms and Conditions that were presented
- Please provide feedback on the Basis of Payment that was presented
- What should be included in the Monthly Management Fee?
- Should there be a Monthly Materiel Management Fee? If so, what should be included in this fee?
- Does Industry believe there should be milestone payments and if so, what milestones do you propose?
- Please provide feedback on the proposed Site Visits



# Breakout Session Instructions

- 6 Tables of Industry Participants
  - Please sit at assigned tables (mixed industry representatives)
- Government representatives will be available for consultation
- Maximum of 1 hour to address all questions
- 1 hour for each group to present a summary of their analysis (10 min each)
- Please write all comments on provided flip charts as they will be collected and reviewed by Canada
- Please send any sensitive information you do not wish to discuss with the group directly or any additional feedback to the Contracting Authority as soon as possible



# Health Break (15 min)



# Breakout Session – T&Cs, Basis of Payment

- Please provide feedback on the Contract Terms and Conditions that were presented
- Please provide feedback on the Basis of Payment that was presented
- What should be included in the Monthly Management Fee?
- Should there be a Monthly Materiel Management Fee? If so, what should be included in this fee?
- Does Industry believe there should be milestone payments and if so, what milestones do you propose?
- Please provide feedback on the proposed Site Visits



# 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**

