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National Program Strategy Development & Procurement Modernization Regional Marine Industry Consultation

**Ontario Region Workshop - Webinar
8 November 2017
10:00 hrs**



Government
of Canada

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Presentation Outline

- Webinar objective
- Hamilton regional workshop
 - **Purpose, context, foci**
 - 2 day agenda
 - **Process**
 - Format, rules of the road
 - Reporting, integration and implementation
 - **Administration and logistics**
 - Role of facilitators and Gov't attendees
 - **Draft standardized refit template**
 - **How to reach us**



Notice

- This briefing is provided for background in preparation for the November 14th&15th workshop
- Not for attribution
- Does not constitute a Request for Proposal (RFP) nor a commitment on behalf of the Government
- Any material currently the subject of a RFP does not fall within the purview of discussions and the proper channels for questions/clarification are to be used
- You may use the Webinar platform to ask questions and they will be addressed at the end of the presentation



Webinar Objective(s)

- Situate workshops in the broader spectrum of the National Shipbuilding Strategy, Procurement Modernization and the Sustainment Initiative
- Provide baseline knowledge on scope and meaning of Sustainment and Small Vessel Construction terminology
- Present consultation themes
- Introduce on-going work on standardised T&Cs
- Provide an overview of the operational, administrative and logistical aspects of the Workshop
- Provide a medium for Q&As

Marine Procurement Modernization (MPM) Working Group

MPM Working Group:

- Public Service and Procurement Canada's (PSPC) Marine Services and Small Vessel Sector (MSSVS)
- Innovation, Science and Economic Development Canada (ISED)
- Canadian Coast Guard (CCG)
- Department of National Defence (DND)

In collaboration with:

- Canada's Defence and Security Industries (CADSI)
- Federal Economic Development Agency for Southern Ontario (FedDev Ontario)
- Province of Ontario

Workshop Support:

- Avascent

Regional Workshops with Canadian Industry

- Engagement activities are currently underway, in collaboration with client departments, ISED, Regional Development Agencies (RDAs), provinces and territories.



NSS Alignment

- The National Shipbuilding Strategy (NSS) was launched in 2010 with objectives to:
 - ❖ Renew the federal fleets in a timely, affordable manner
 - ❖ Create and support a sustainable marine sector in Canada
 - ❖ Encourage economic benefits for Canada

- The NSS guides procurement decisions for construction of large and small ships, as well as repair, refit and maintenance for the Royal Canadian Navy and the Canadian Coast Guard as follows:
 - ❖ **Large ships** (greater than 1,000 tonnes): Two sources of supply selected to build new large vessels (Irving Shipbuilding Inc. (ISI) and Seaspan's Vancouver Shipyards (VSY))
 - ❖ **Small Ships** (less than 1,000 tonnes): Requirements will be competed amongst all Canadian Shipyards except for ISI and VSJ, and their affiliates
 - ❖ **Repair, Refit and Maintenance:** Open to competition to all Canadian contractors

Procurement Modernisation & Sustainment Initiative - Alignment

➤ Procurement Modernization:

- Apply best practices and respond to lessons learned
- Drive towards more efficient and effective procurement practices
- Reduce procurement times and transaction costs
- Prioritize results and business acumen instead of process and risk avoidance

➤ The Sustainment Initiative (SI):

- ❖ A whole of government effort, transforming the way we deliver in-service support programs by developing tailored and innovative sustainment solutions
- ❖ SI applies a business case analysis approach to each requirement, balancing four sustainment principles: equipment performance, value for money, contract and program flexibility, and economic benefits for Canada

Workshop Scope & Purpose

Scope

- Workshop focused on 2nd and 3rd pillars of NSS:
 - ❖ Construction of small vessels (vessels under 1000 tonnes); and
 - ❖ Vessel repair, refit, and maintenance

Purpose

- Inform and shape National Strategies for the Federal Government's Sustainment and Small Vessel Construction requirements that better meet the needs of Industry and Government
- Collaboratively explore opportunities to streamline and modernize the procurement process

Sustainment

- Repair, refit and maintenance includes all refit, Vessel Life Extension (VLE) and In-Service Support (ISS) requirements for all sizes of vessels
- In FY 2016 sustainment accounted for \$188M in new contracts awarded or amended for CCG and the RCN
- Projects Underway:
 - ❖ CCGS Caporal Kaeble VC & CCGS Amundsen – 5 Year Docking
 - ❖ CCGS Pierre Radisson, CCGS Des Groseilliers, CCGS Martha L Black – Alongside Refit
 - ❖ CCGS F.G. Smith – 5 year Docking
 - ❖ DND Halifax Class ISS & MWAV ISS Requirements

Small Vessel Construction

- Small vessel construction includes vessels with less than 1,000 tonnes of displacement
- In FY 2016 \$12.9M of new small vessel construction activity was contracted to Canadian shipyards
- Projects underway:
 - ❖ CCG Search and Rescue (SAR) lifeboat
 - ❖ CCG channel survey sounding vessel & near shore fisheries research vessels
 - ❖ DND naval large tug & multi role boats

Hamilton Workshop Process

- **Topical approach (See agenda)**
 - Day one - Sustainment
 - Day two - Small Vessel Construction
- **Theme introduction and supporting questions**
 - Optimize delivery and management of marine programs
 - Alternatives to cost-based contracting
 - Renewal of terms & conditions
 - Evaluation methodology
- **Break-out sessions**
- **Questionnaire & Feedback form**
- **Draft Standardized Refit template**
- **Post Workshop Report**

Theme 1: Optimize Delivery and Management of Marine Programs

Current State

- Marine programs include a broad range of
 - ❖ Client departments: DND, CCG, RCMP, Parks Canada, Environment Canada, Transport Canada
 - ❖ Vessel size and complexity
 - ❖ Classes of vessels
 - ❖ Work packages (scope, cost, complexity)
 - ❖ Infrastructure requirements (along side, dry dock)
- Forecasting/Planning
 - ❖ Annual procurement outlook session & early engagement
 - ❖ Defence Acquisition Guide (DAG)
<http://www.forces.gc.ca/en/business-defence-acquisition-guide-2016/naval-systems.page>
 - ❖ CCG/DFO Refit 10 year plan
<http://www.ccg-gcc.gc.ca/Fleet/Vessel-Maintenance>

Theme 1: Optimize Delivery and Management of Marine Programs

Opportunities & Challenges

- Alternative acquisition strategies (e.g., supply arrangements, bundling)
- Improved planning, forecasting tools and industry consultation
- Advanced project approvals
- Cyclical nature of marine requirements (peaks & valleys)
- Competing commercial demand
- Inadequate time for bid preparation
- Timeframe between bid closing & contract award.
- Operational requirements (work period flexibility)

Theme 1: Optimize Delivery and Management of Marine Programs

Questions

- What are the main challenges companies face while bidding on government work?
- How can the GC mitigate these challenges and incentivize companies to bid for government work?
- Are there ways to simplify the bidding process?
- How can the GC encourage / incentivize innovation within marine procurement?
- Is there sufficient capacity to consistently bid on GC work (vs. commercial)?

Theme 2: Alternatives to Cost Based Contracting

Current State

- Small vessel construction and repair, refit & maintenance
 - ❖ Competitive contracts, where market determines price
 - ❖ % unknown work, holdbacks
 - ❖ Work arising / design changes
 - Price = Labour Rate * Hours
 - Price = Sub-contracting/material Cost + 10%
 - ❖ Very limited application of incentives and/or performance based elements
- Long term in-service support
 - ❖ Various contracting models, levels of integration and flow through to SMEs
 - ❖ Includes a monthly management fee & emergent work
 - ❖ Implementing performance-based contracting elements focused on outcomes. Pricing may be determined by a competitive process or negotiated.

Theme 2: Alternatives to Cost Based Contracting

Opportunities & Challenges

- Explore new concepts in contracting
 - Relational contracting and partnering charters
 - Performance based methodologies (PBC, PBL, incentive models)
 - Public – Private Partnerships (P3s): Long-term performance-based approach whereby industry assumes a major share of the risks and ensures effective performance
 - Social impact bond or pay for success financing: Commitment by industry (through a contract) to pay for improved social outcomes that result in public sector savings
- Open cost accountability on first of a multiple boat contract for adjustment on subsequent boats
- Industry participation in project forecasting and multi-year contracts to better prepare resources and manage workload
- Cost sharing and risk sharing opportunities

Theme 2: Alternatives to Cost Based Contracting

Questions

- What options/ideas are there for financial incentives, performance bonuses and other measures to encourage and reward enhanced value to Canada (price reduction, early delivery, ease of administration, etc.)
- What is industry's preference when it comes to basis of payment (i.e. cost-based vs. performance-based etc.)? Why is that the preference?
- How best to successfully manage contract pricing, when not based on cost of production?
- In your experience working with commercial (and other levels of government) what practices could be applied to federal contracting?
- When should alternative approaches be considered?

Theme 3: Renewal of Terms and Conditions

Current State

- Inconsistent application
- Inconsistent interpretation
- No recent review or update
- Current Trends
 - ❖ Reduced number of tenders
 - ❖ Under bidding
 - ❖ Disqualified bids
- Examples
 - ❖ Intellectual property, basis of payment, method of payment
 - ❖ Limitation of liability, insurance requirements

Theme 3: Renewal of Terms and Conditions

Opportunities & Challenges

- Improve GC procurement through adoption of commercial best practices
- Streamline & modernize procurement practices
 - ❖ Improved agility & flexibility
- Apply industry best practices
- Promote consistency across regions
- Simplify process for industry to bid on Government work
- Develop T's&C's for various incentive schemes
- Examine risk rebalancing approach and alternatives

Theme 3: Renewal of Terms and Conditions

Questions

- What are the opportunities and challenges for industry created by existing terms and conditions? (bidding and/or not bidding)
- What are the T's&C's that you have specific issues with? Why?
- What T's&C's are the key cost drivers for government contracts?
- How are existing T's&C's aligned or not aligned with industry best practices?
- How can the government adjust T's&C's for greater flexibility and to promote innovation?

Theme 4: Evaluation Methodology

Current State

- Contract award to lowest price responsive bidder
- “Race to the bottom”
- Process lacks flexibility & does not ensure “Best Value”
- Mandatory requirements list & point rated technical evaluation
- Evaluation based on % technical & % price
- Technical evaluations vary project by project
- Potential for “subjective” nature of point-rated criteria
- Duplication of effort for bidders to qualify for similar projects

Theme 4: Evaluation Methodology

Opportunities & Challenges

- Explore new evaluation approaches and success measures
 - ❖ 2-step evaluation
 - ❖ Past performance
 - ❖ Competitive negotiations
 - ❖ Best value vs. price
 - ❖ Pre-qualification opportunities
- Limitations or constraints for joint ventures responding to experience in a technical evaluation
- Apply industry best practices

Theme 4: Evaluation Methodology

Questions

- What are the main challenges associated with the GC's approach to evaluation?
- Are there ways to simplify the evaluation methodology that could result in a more efficient and equitable bidding process?
- Are there commercial approaches that should be considered?
- How best to evaluate past performance (quality) – What criteria should be used, how to measure, and proposed weighting/importance?
- Ways to assess value for money vs. price. What is the definition for value for money?

Post Workshop Plan - Integration and Implementation

- Short-term (0-8 months)
 - ❖ Host regional workshops
- Medium-term (8-16 months)
 - ❖ Identification of low hanging fruit & corrective action
 - ❖ Pilots
 - ❖ Analysis of workshop reports
 - ❖ Adjustments made to address problematic practices
 - ❖ Return to government with recommendations
- Long-term (16 – 24 months)
 - ❖ Address complex issues

Administration and Logistics

- Hamilton Conference Centre
 - ❖ 1 Summers Lane, Hamilton Ontario, L8P 4Y2
- Suggested attire: business casual!
- Lunch & coffee breaks provided on site
- Workshop questionnaire and feedback form
- Workshop report: non attribution
- Emergency contact number: (418) 803-4088

Feedback on Template

- Please take some time to review the enclosed standard refit unmanned draft template and provide feedback by 1 Dec 2017 to Julia.mcdonald@tpsgc-pwgsc.gc.ca



How to reach us?

Julia.mcdonald@tpsgc-pwgsc.gc.ca

Marc.Baril@tpsgc-pwgsc.gc.ca

581 997-2130

