



## SUMMARY REPORT

### Regional Marine Industry Consultation Workshop Hamilton, Ontario – November 14-15, 2017

#### Overview

As part of the ongoing effort to establish National Marine Program Strategies (as highlighted in the Buy and Sell poster – <https://buyandsell.gc.ca/procurement-data/tender-notice/PW-17-00799501>), the Marine Procurement Modernization (MPM) working group hosted the first of four regional workshops held in Hamilton, Ontario, in November 2017.

The workshop included participation from 22 Industry representatives (ranging from regional boat builders, suppliers and repair yards) and by provincial counterparts and regional development agency representatives. Industry's in-session contributions have provided the MPM Working group with a better appreciation of the realities of the Canadian Marine Industry in Ontario and provided a number of ideas to improve federal marine procurement practices.

While discussions were focused around four themes, there were a number of points of discussions that were highlighted by participants. These included the need to improve planning and communication with Industry, adapting commercial practices and greater support for innovation. While not exhaustive, the feedback from Industry on each of the four themes is summarized below:

#### (1) Optimize Delivery and Management of Marine Programs

- A need for improved planning, forecasting and more frequent industry consultation regarding Government of Canada requirements. This will enable Industry to better manage resources, respond to solicitations and submit more informed proposals. Increased lead times between RFP release, bid closing and the start of work.
- Examine “bundling” options versus “one-off” work packages as a means for Industry to better plan, invest, and innovate and to drive “Best Value”. Bundling options could include; regional, vessel class/type and/or project complexity. Explore the creation of “Centres of Expertise” for greater efficiencies.
- Development of a joint work package (with Industry) to identify solutions for requirements and performance-based specifications which allows Industry to propose more innovative and customized solutions.

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## **(2) Alternatives to Cost Based Contracting**

- Maintaining status quo for refit contracting encourages a “race to the bottom”, benefiting neither Government nor Industry. Commercial contracting models should be explored.
- Companies are reluctant to reveal strategic or cost-efficient solutions at open forums. The selection of pre-qualified bidders would allow for discussions regarding alternatives to Cost-Based approaches.
- Best practices will include non-financial incentives; rewarding past performance (schedule, quality and/or cost) which influences future contract awards.
- Consider relational contracting and partnering charters tied to longer-term planned or “bundled” requirements.
- Explore merits of Public–Private Partnerships (P3s) to achieve a long-term performance-based approach whereby Industry assumes a major share of the risks.
- Review open-cost accountability on the first of a multiple boat contract, adjusting for subsequent vessels.

## **(3) Renewal of Terms and Conditions**

- Existing Terms and Conditions are unnecessarily complex and burdensome. Commercial practices (i.e. BIMCO) should be examined for opportunities to streamline.
- Inconsistencies in the interpretation and application of Terms and Conditions create an increase in level of effort and costs for suppliers.
- Liability and insurance clauses often translate into unlimited liability for suppliers. This practice is not standard in private industry where the limitations are typically set to the value of the contract (or a reasonable multiple of contract value.) This also a similar issue for insurance requirements.
- Requirements for certifications at bid submission phase are deemed to be excessive. Implementing a “pre-qualification” regime would streamline the process for both Government and Industry.
- Holdbacks may be perceived as punitive and more flexible arrangements should be considered.
- Align Government profit with industry norms for similar work to make more attractive to industry.

## **(4) Evaluation Methodology**

- Lowest-price compliant bids do not incentivize best value or drive good behaviors with respect to quality of work, innovation or adherence to project schedules.
- Evaluation criteria tend to be subjective, restrictive and/or too specific. Evaluation criteria should be reasonable and scalable, in proportion to the size and complexity of the project.
- Supply Arrangements/Standing Offers for similar grouping of vessels to simplify the evaluation process (i.e. RHIBs, Aluminum and/or Fiberglass boats of similar size and complexity).
- Implement a 2-step evaluation process to provide more flexibility. (i.e. reduce number of non-compliant bids.)

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- Adopt a multi-phased evaluation approach with an initial technical evaluation followed by subsequent evaluation criteria to better align with commercial best practices.

### **Next Steps**

Moving forward, results from this workshop and subsequent ones (Halifax – January 2018, Quebec – March 2018 and Victoria – April 2018) will evolve and define the concepts informing the development of National Strategies for Repair, Refit and Maintenance and Small Vessel Construction requirements.

Additionally, plans will be developed to address opportunities identified during the workshop to improve or streamline the procurement process and solutions.