



SUMMARY REPORT

Regional Marine Industry Consultation Workshop Halifax, Nova Scotia – January 23 & 24, 2018

Overview

As part of the ongoing effort to establish National Marine Program Strategies, the Marine Procurement Modernization (MPM) working group hosted the second of four regional workshops in Halifax, Nova Scotia, in January 2018.

The workshop included participation from 31 Industry representatives (ranging from regional boat builders, suppliers and repair yards) and from 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 the Canadian Marine Industry in the Maritimes is facing and numerous ideas on how to improve federal marine procurement practices.

While discussions were focused around four themes, participants also raised other points which included the need to improve planning and communication with Industry, to adapt commercial practices and greater support for innovation. While not exhaustive, the key 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 (GoC) requirements. "Outlook sessions" should be done at least twice a year and broadcasted widely, enabling Industry to better manage resources, respond to solicitations and submit more informed proposals.
- Explore ways to reduce the number of work arisings for vessel refits, such as more accurate and up-to-date vessel surveys, and improved configuration management. Arising's impact the ability to plan work, and can lead to increased costs and delays in schedule.
- Explore options for GoC on-site technical support (an alternative to former PWGSC Technical Inspector role)
- Leverage Industry/Government committees and working groups, an enabler to develop GoC as a "smart buyer" and a mechanism for early resolution of issues and support for innovation. (i.e. Marine Industry Advisory Board, Small Boat Working Group)

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- Continue to explore “bundling” options as a means for Industry to better plan, invest, innovate and drive “best value”. Bundles should factor in GoC overall requirements as well as impact to competitive landscape. Bundling options could include regional, vessel class/type and/or project complexity.
 - Development of a joint work package with Industry to identify more customized innovative solutions for requirements.
 - Examine leasing and P3 options as an alternative delivery/support model.

(2) Alternatives to Cost Based Contracting

- Maintaining status quo for refit contracting encourages a “race to the bottom”, benefiting neither GoC nor Industry. Commercial contracting models should be explored.
- Update and revise technical specifications to encourage innovative solutions that allow companies to deliver best value.
- Emphasis on best value versus lowest cost to reduce overall lifecycle cost.
- Explore alternative contracting models, such as Integrated Project Delivery (IPD).
- Track and apply “lessons learned” from previous procurements, including updates to specifications which had led to work arisings in previous refit dockings.
- Include non-financial incentives; rewarding past performance (schedule, quality and/or cost) which will influence future contract awards.
- Consider relational contracting and partnering charters for longer-term or bundled requirements.

(3) Renewal of Terms and Conditions

- Support for PSPC efforts in the creation of marine contracting templates aligned with industry best practices.
- Post frequently asked questions re: Marine T’s and C’s on “Buy and Sell.”
- Inconsistences in the interpretation and application of Terms and Conditions between and amongst regions; increasing 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). Same is true 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.
- Review the requirement for Industry to flow down some or all of GoC’s T’s and C’s to their Sub-contractors.
- Holdbacks may be perceived as punitive and more flexible arrangements should be considered.

(4) Evaluation Methodology

- Develop methodologies that evaluate total life-cycle costs to better incentivize quality.
- Implement a “case-by-case” approach to best leverage and evaluate economic benefits.

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- In some cases application of the ITB/VP policy can lead Industry to focus on those evaluation criteria rather than best proposal to complete the work.
 - Move towards performance specifications versus more prescriptive specifications to encourage innovation and discourage the “race to the bottom.”
 - Incorporate a means to evaluate past performance for similar work.
 - Supply Arrangements/Standing Offers for similar grouping of vessels to simplify the evaluation process (i.e. boats of similar size and complexity).
 - Supportive of a 2-step evaluation process to provide more flexibility and reduce number of non-compliant bids.
 - 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.

Next Steps

Moving forward, results from this workshop, the Hamilton session, and the two remaining sessions (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 are being developed to address opportunities identified during the workshops to improve or streamline the procurement process.