



SUMMARY REPORT

Regional Marine Industry Consultation Workshop

Québec City, Quebec – March 20 & 21, 2018

Overview

As part of the ongoing effort to establish National Marine Program Strategies, the Marine Procurement Modernization (MPM) working group hosted the third of four regional workshops in Québec City, Quebec, in March 2018.

The workshop included participation from 22 Industry representatives (regional boat builders, suppliers and repair yards) as well as provincial counterparts and regional development agency representatives. Industry's in-session contributions provided the MPM working group with a better understanding of the Canadian Marine Industry within the Quebec Region. This session identified a number of recurring issues, and identified additional ideas to improve federal marine procurement practices.

While discussions were focused around four themes, participants also raised other points with regards to greening and innovation. Additionally, participants highlighted the need to improve planning and communication, and adopt commercial practices to support 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

- Enhance the quality of specifications and/or enhance the relational component of the approach to reduce the number of work arisings for vessel refits. Vessel surveys and “digital twinning” could greatly enhance quality of information available to bidders.
- Ensure project representatives are authorized to make decisions to speed approval.
- Responding to Request for Informations (RFI) are costly and periods are too protracted. Requesting an update in costs after an RFI is another expense a company must incur. Canada runs the risk of overusing the RFI process and should consider the American approach of hiring companies to set the design and/or approach.
- There is a requirement for improving the business acumen of the Government of Canada (GoC) project team members, as well as their knowledge of new technologies and of manufacturing and supply chain processes.
- A need for more frequent industry consultations as they will enable Industry to better manage resources and submit more informed proposals. The accuracy of outlook sessions should be measured over time. Industry is appreciative of the use of web-based communications supporting

major events such as Mari-Tech and would cut costs for smaller companies who might not have the resources to attend in-person.

- Closing of evaluation periods versus the time for vessels to arrive is sometimes too narrow, preventing Industry from adequately ramping up and ordering long lead items, and sometimes too long, causing pricing stability challenges with suppliers.
- The GoC should consider alternatives such as P3s to provide backup service – it was acknowledged that not all shipyards could sustain such an approach.
- Explore “bundling” options as a means for Industry to better plan, invest, innovate and drive “best value”. Bundling options could include regional, vessel class/type and/or project complexity. Bundling could also encompass a sharing portion which could compel the winning firm to share work with others.

(2) Alternatives to Cost Based Contracting

- Consider factoring in past performance as an element to establish a relational contracting approach. Rewarding past performance (schedule, quality and/or cost) would influence future contract awards.
- Experience criteria ratings should be reviewed to ensure that they reflect fair and acceptable equivalencies.
- Review the current Request for Proposal (RFP) methodologies and factor in approaches to foster/reward innovation (enhanced autonomy, reduced greenhouse gases, reduced noise etc.).
- 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.
- Track and apply “lessons learned” from previous procurements, including updates to specifications which had led to work arisings in previous refit dockings.
- Consider relational contracting and partnering charters for longer-term or bundled requirements.

(2) Renewal of Terms and Conditions

- GoC should investigate a fluctuating modular concept for insurance and limitation of liability requirements as opposed to standardized requirements applicable to all projects regardless of value and complexity.
- Progress Payments – Consider reviewing the 10% hold back and retain just 5% at the end of the final payment. The current practice can cause excessive carrying charges to some subcontractors. The warranty payment of 10% could be paid on the 60th day rather than 30 days after the end of the 90 day warranty period.
- Consider modifying calendar days to working days in order to supply documentation post contract award, particularly Annex J.
- RFP should state the ability of a contractor to insure himself rather than the proof of insurance which could be provided within a reasonable timeframe after a successful bid. The current approach is a significant cost driver.
- Consider reviewing the contractor liability insurance to reflect value of the contract/risk rather than outright demanding the \$10M contractor liability clause. Insurance costs are essentially paid by the GoC over and over again as suppliers build this cost into bids.

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- Review the approach to progress payments and link to the value added milestone tasks rather than simply cutting steel or aluminum.
 - Review intellectual property (IP) use parameters by government.
 - Review progress payment possibility for construction contracts. Typical Commercial long lead contracts have PPs divided 20% at contract, 60% at delivery and 20% at commissioning. Payments should consider period between payments and maintain if there is a possible steady cash flow and should not exceed 2 months between payments.

(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.
- Develop methodologies and leverage existing models to evaluate total life-cycle costs, maintainability and supportability, to incentivize quality and reward innovation.
- Address the discrepancy between operation of assets and maintenance. It is difficult to include innovations when benefits are taking place during the vessel's operation cycle (issue linked to disconnection between Vote 1 and Vote 5 funding).
- Supportive of a 2-step evaluation process to provide more flexibility and reduce the number of non-compliant bids resulting from administrative issues.
- Incorporate a means to evaluate past performance for similar work.
- GoC should conduct site visits and audits as part of the qualification process, for higher risk procurements.
- GoC needs to create a "prequalification list" to streamline process and reduce costs.
- GoC should consult industry when developing evaluation criteria.
- Establish Supply Arrangements/Standing Offers or task based contracts for similar grouping of vessels to simplify the evaluation process (i.e. boats of similar size and complexity).

Next Steps

Moving forward, results from this workshop, and from the remaining session (Victoria – April 4th and 5th, 2018) will be aggregated and work will be initiated to define concepts in order to inform 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 procurement processes.