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## **Annex J – Calibration Performance Management Framework**

# **CALIBRATION PROGRAMME IN-SERVICE SUPPORT CONTRACT**

## **ANNEX J**

### **PERFORMANCE MANAGEMENT FRAMEWORK (PMF)**

## Annex J – Calibration Performance Management Framework

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## **Annex J – Calibration Performance Management Framework**

### **1 Performance Management Guidance**

#### **1.1 Purpose**

The Performance Management Framework (PMF) is a critical component of Performance-Based Contracts in that it ties together the Statement of Work (Annex A) and the Basis of Payment (BoP) (Annex B), and establishes a holistic enterprise-level focus on desired goals, objectives and outcomes of the Calibration Programme that are aligned to and consistent with the principles of the Canadian Government's Sustainment Initiative, namely Performance, Value, Flexibility and Economic Benefits..

Sustainment of the Calibration Programme is a highly complex system demanding continuous trade-offs and optimization. To achieve the desired outcomes, there is a need for a close working relationship between government and industry. Government of Canada (Canada) has the responsibility to be a Smart Buyer, necessitating transparency of cost and technical drivers, and to retain an active role in the service delivery. Industry is expected to be to deliver against its commitments and to apply its expertise in an innovative and proactive manner to ensure Canada receives best value. Industry is also responsible to act in the best interest of Government by bringing forward recommendations for continuous improvement, as well as anticipating future support challenges and actively mitigating their impact. In return, Government will provide Industry a return on its investment and enable growth to its business and benefit to its employees and shareholders.

A PMF based on best practices provides simplified and clear metrics to guide performance against established targets ultimately to meet longer-term goals and objectives, as well as to provide a basis for analysis and recovery. The PMF seeks to align efforts for the shared success of the Calibration Programme. This PMF establishes the system for planning, monitoring, assessing and driving improved performance of the contracted portion of the Enterprise Sustainment Solution. The performance metrics and targets that have been associated with each of the outcomes are an important measuring stick to establish accountability for delivery. The PMF therefore forms a part of the Enterprise Sustainment Solution PMF and, in the end, is the paramount to delivering the goals and objectives required by the Calibration Programme and the Canadian Armed Forces.

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### 1.2 Scope

This PMF defines the outcomes, the control system, the remedies and rewards, and the management tools that will be used to achieve the required performance and motivate the desired behaviours towards shared outcomes.

### 1.3 Principles

#### 1.3.1 General

The overall Sustainment Objectives and DND/CAF system-level operational requirements are outlined in Appendix 3 of Annex A, Statement of Work (SOW).

Canada has mandated that all sustainment programs be based on the following four Principles (*in italics*). They are included in this Annex to provide context as well as to serve as a measuring stick to ensure the Performance Framework continues to be optimized and aligned with the original objectives. The Principles must be considered in strategic decision making and/or actions intended to adjust the PMF.

#### 1.3.2 Performance

*Defence equipment that is operationally ready and mission capable.*

Given that the Calibration Programme itself is an Enterprise Sustainment Solution for DND/CAF, many of the DND/CAF operational-level requirements, outlined in Appendix 3 of Annex A, Statement of Work (SOW), also apply to the In-service Support Solution (ISS) solution-specific requirements. Additional performance-specific requirements are:

- a. Availability. Provision of goods and services to operations and maintenance support as and when required.
- b. Reliability. Maximize the maintenance-free period of in-service time.
- c. Suitability. Fit, form and function with a defined state of configuration and serviceability.
- d. Safety. Compliance with safety, Airworthiness and materiel assurance programme regulations.
- e. Deployability. Required maintenance and logistics support for deployed operations, including the ability to project and reach-back.

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- f. Effectiveness. Maximize operational readiness and the ability to generate, employ and sustain capability.
- g. National Security Interests. Identify, maintain and/or improve elements related to the sustainment of specific equipment to satisfy applicable National Security Interests, and comply with National Defence Security Orders and Directives, access to Controlled Goods and International Traffic in Arms Regulations (ITAR).
- h. Traceability. Demonstrate traceability for technical authorities and operational authorities.
- i. Repairs. Effect the repairs of Test, Measurement and Diagnostic Equipment (TMDE) and measurement standards in an efficient, effective, economic manner working closely with the Life Cycle Materiel Managers (LCMMs), equipment management teams, weapons systems manager and project teams.
- j. Obsolescence Management. Manage the obsolescence of TMDE and measurement standards in an efficient, effective, economic manner working closely with the LCMMs, equipment management teams, weapons systems manager and project teams.
- k. Subcontracts. Oversee subcontractor work for mandatory on-site calibrations, repairs to TMDE and/or calibrations that must be performed by original equipment manufacturers (OEMs) or other contracted services.

#### **1.3.3 Value for Money**

*The required outcomes (i.e. fitness for purpose and quantity) are procured at a price commensurate with the market rate for comparable procurements.*

Calibration Programme Enterprise Sustainment Solution will maximize the benefits of all the goods and services while at the same time minimizing costs and effort. Value for money takes into account the mix of quality, cost, resource use, fitness for purpose, timeliness, and convenience to judge whether or not, together, they constitute good value:

- a. Economic. A measure of financial improvement;
- b. Efficiency. A measure of doing more with the same or the same with less;  
and

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- c. Effectiveness. A measure of doing things better or at higher standards.

The value for money-specific requirements are:

- a. Smart Buyer. Product knowledge, business acumen, programme management expertise and visibility into cost, technical drivers. Enabled through transparency of data.
- b. Balanced Risk. Risk transfer to other parties matches the responsibility and scope (Risks = Premiums).
- c. Efficiency. Delivery of goods and services at reduced level of effort. Requirement exists both through initial arrangement and a continuous improvement system
- d. Incentives. Rewards and remedies to drive desired behaviour to deliver outcomes and achieve targets.
- e. Continuity. Maintenance of the contractual framework and performance over contract duration.
- f. “Should-Cost” Determination. Active “smart buyer” efforts in partnership with industry must drive towards a clear understanding of costs and a recognition of the value of the services.
- g. Repairs. Obtain repairs of TMDE within the Calibration Programme at fair market prices without undue delays.

### 1.3.4 Flexibility

*An adaptable and scalable support system that can be readily adjusted to changes in operational requirements and/or operating budgets.*

The Calibration Programme Sustainment Contract’s mix and volume of goods and services will change as the Calibration Programme evolves and there is a possibility Canada will need to revise their calibration forecasts and the support model due to changing Government priorities.

The flexibility-specific requirements are:

- a. Scalability. Budgetary, operational tempo, fleet size, systems capability, fleet life.

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- b. “Plan B”. Canada’s control over critical elements to allow for contract de-scoping, termination and follow-on solicitations.
- c. Evolution. An ability to adapt to change resulting from continuous improvement and technological advances.

### 1.3.5 Economic Benefits

*Leverage industrial benefits from defence procurements to create jobs and economic growth for companies in Canada.*

While the Industrial and Technological Benefits (ITB) Policy will not be applied, the principle of economic benefits will still be considered in the PMF. The economic benefits requirements are:

- a. Develop/Maintain/Grow Domestic Industrial Capabilities. The contract’s ability to maintain and be prepared to develop/grow domestic industrial capability for calibration services.
- b. Establish/Maintain/Increase Technological “Value”. The contract’s ability to effect technological change.
- c. Economic Growth. The contract’s ability to enhance Canada’s economy through innovation, human resources, capital formation, technological development and exports.
- d. Canadian Jobs Creation. The contract’s ability to increase the quantity and quality of jobs within the Canadian defence and aerospace sectors, including metrology and calibration services.

## 2 Performance Metrics

### 2.1 General

Performance Metrics are assigned to desired results and are used to measure Contract performance towards achieving Sustainment Initiative and Enterprise Sustainment Solution goals and objectives. Metrics are divided into the following levels corresponding to their significance in achieving desired Outcomes. Collectively, the suite of Metrics enables effective Governance and Management of the Calibration Programme and Contract.

The levels of Performance Metrics used in the PMF:

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- a. Key Results Areas (KRA);
- b. Strategic Performance Measures (SPM);
- c. Key Performance Indicators (KPI); and
- d. System Health Indicators (SHI).

### **2.2 Key Result Areas (KRAs)**

Metrics (SPMs, KPIs and SHIs) are grouped into the Key Result Areas (KRAs), which correspond to the overall principles of the Sustainment Initiative, DND/CAF operational-level requirements and ISS solution-specific requirements as applied to the Calibration Programme Enterprise Sustainment Solution. The Outcomes for the Calibration Programme are divided into the following Key Result Areas (KRAs):

- a. KRA 1 Quality - Comply with ISO and Traceability;
- b. KRA 2 Availability - Maximize Availability of Equipment for Users;
- c. KRA 3 Reliability - Ensure Reliability of Calibration and Repair Services;
- d. KRA 4 Affordability - Manage Total Cost of Ownership;
- e. KRA 5 Collaboration - Maintain a Collaborative Relationship;
- f. KRA 6 Flexibility - Sustainment Initiative Principle; and
- g. KRA 7 Economic Benefits - Sustainment Initiative Principle.

### **2.3 Strategic Performance Measures (SPMs)**

The SPMs are categorized as the highest level of Metrics and are used to assess performance against the strategic Outcomes, goals and objectives. The SPMs are typically assessed annually with the Metric being used to gauge overall performance and determine the eligibility of the Contractor to be awarded additional contract option year(s) using the Rolling Wave model. SPMs are typically non-payment related. SPMs may be comprised of KPIs and/or SHIs.

The specific SPMs and hierarchy of Metrics is at Section 3.

### **2.4 Key Performance Indicators (KPIs)**

A KPI is a measurable value of how effectively business objectives are being achieved. KPIs are typically assessed on a quarterly basis. In most cases, KPIs are payment-

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related, with Rewards and Remedies, or financial incentives as appropriate, being directly associated with the assigned performance Metrics and targets.

The specific KPIs and hierarchy of Metrics is at Section 3.

### **2.5 System Health Indicators (SHIs)**

SHIs are typically monthly assessments of performance measures and/or metrics that provide insights to factors contributing to and driving performance towards KPI targets and longer-term SPM goals. SHIs are non-payment related in that there are no Rewards and Remedies beyond any directed recovery actions. The intent of SHIs is to also assist Governance and Management reviews to manage the implementation of the Contract, coordinate important day-to-day elements, and manage and respond to risk.

The specific SHIs and hierarchy of Metrics is at Section 3.

### **3 Performance Management Framework (PMF)**

The initial draft PMF with hierarchy of KRAs, SPMs, KPIs and SHIs is detailed at Appendix 1 to Annex J.

### **4 Performance Reviews**

The three different levels of Metrics will be reviewed and managed by the Governance and Management committees/teams described in Appendix 3 to Annex A and in accordance with the Relational Charter to be developed and documented in the Contractors Program Management Plan.

### **5 Rewards and Remedies**

The intent is to publish the implications regarding Rewards and Remedies, Incentives and Rolling Wave model here. To be determined.

### **6 Acronyms and Glossary**

Acronyms and a Glossary can be found in Appendix 1 to Annex A.