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Annex J – Calibration Performance Management Framework

DND/CAF CALIBRATION PROGRAMME IN-SERVICE SUPPORT CONTRACT

ANNEX J

PERFORMANCE MANAGEMENT FRAMEWORK (PMF)

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1 Performance Management Guidance

1.1 Purpose

- 1.1.1 The Performance Management Framework (PMF) establishes a holistic enterprise-level focus on desired goals, objectives and outcomes of the Department of National Defence (DND)/Canadian Armed Forces (CAF) Calibration Programme that are aligned to and consistent with the principles of the Canadian Government's Sustainment Initiative as outline in DAOD 3005-0 Materiel Sustainment., namely: Performance, Value, Flexibility and Economic Benefits.
- 1.1.2 Sustainment of the DND/CAF Calibration Programme is a highly complex system demanding continuous feedback, trade-offs and optimization. To achieve the desired outcomes, there is a need for a close working relationship between government and industry.
- 1.1.3 A tailored PMF based on best practices provides clear metrics to guide performance towards targets and ultimately to longer-term goals and objectives, as well as to provide a basis for analysis for recovery and growth. The PMF seeks to align efforts for the shared successes of the DND/CAF Calibration Programme.

1.2 Scope

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

1.3 Sustainment Initiative Principles

- 1.3.1 The overall Sustainment Objectives, DND/CAF system-level operational requirements, and Calibration Programme Enterprise Sustainment Solution Performance Management model are outlined in Appendix 3 of Annex A, Statement of Work (SOW).
- 1.3.2 The Sustainment Initiative Principles must be considered in strategic decision making and/or future amendments to the PMF.

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2 Governance and Performance Reviews

2.1.1 The different metrics will be reviewed and managed by the Governance and Management committees / teams. The Relational Charter that will be developed as part of the Program Management Plan will complement this PMF.

2.1.2 There are three levels of Governance and Management applicable to the Contract: the Executive Steering Committee, the Joint Management Team and the Integrated Service Team. The terms of references for each committee will be developed at the onset of the contract and will form part of this PMF. For all levels of Joint Governance, Canada will retain final decision-making authority on all governance matters.

2.2 Executive Steering Committee

2.2.1 The Executive Steering Committee (ESC) is chaired by the DND/CAF Calibration Programme Authority (i.e. QETE Superintendent) and is responsible for the integration of the Calibration Programme. The ESC is comprised of representatives from DND and Public Services and Procurement Canada (PSPC) with appropriate representation from the Contractor.

2.2.2 The ESC oversees the Contract and ensures alignment within the Calibration Programme.

2.2.3 The ESC will meet annually or more frequently as required to conduct progress reviews in order to:

- a. review the overall performance;
- b. decide on the award of option-years (e.g. rolling wave);
- c. review the PMF to ensure metrics remain valid and applicable to the Calibration Programme and to the principles of the Sustainment Initiative;
- d. review and authorize recommendations regarding Continuous Improvement Proposals (business cases) that are presented by the Joint Management Team (JMT);
- e. approve terms of reference for the governance committees; and
- f. support the JMT.

2.3 Joint Management Team (JMT)

2.3.1.1 The JMT is chaired by the DND/CAF Calibration Programme Director (i.e. QETE 5) and is comprised of representatives from DND and Public Services

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and Procurement Canada (PSPC) with appropriate representation from the Contractor. The JMT is responsible for the PMF and reports to the ESC.

2.3.1.2 The JMT will conduct quarterly progress review meetings in order to:

- a. monitor performance for each group of metrics;
- b. manage issues affecting the Contract;
- c. review and approve, or recommend Continuous Improvement Proposals (DID 300.005) (i.e. business cases) for approvals by the ESC immediately following each quarterly review;
- d. forecast, prioritise and coordinate stakeholder strategic requirements (including Strong Secure Engaged initiatives);
- e. escalate issues to the ESC when required; and
- f. support the IST.

2.4 Integrated Services Team (IST)

2.4.1.1 The IST is the first level of governance. The IST is chaired by the Project Authority and is comprised of the Contract Authority, the Procurement Authority, the Contractor Service Manager and supporting team members as required. The IST reports to the JMT.

2.4.1.2 The IST will conduct monthly progress review meetings of both contract progress and technical services and:

- a. review the deliverables which includes a Monthly Progress Report as well as all performance metrics / measurements in support of this PMF;
- b. monitor contract performance;
- c. manage contract issues;
- d. coordinate services in support of the Calibration Programme;
- e. review and discuss any ad-hoc projects or studies to support the DND/CAF Calibration Programme; and
- f. escalate issues to the JMT when required.

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3 Performance Management

3.1 Performance Objectives

3.1.1 The contracted performance are expressed in terms of Key Results Areas (KRA) and will initially be measured in support of the following objectives:

- a. KRA 1 Availability - Maximize Availability of TMDE for Users;
- b. KRA 2 Affordability - Manage Total Cost of Ownership; and

Other Key Results Area may be introduced later as agreed with the Contractor. Examples are shown in Appendix 3.

3.2 Key Performance Indicators (KPIs)

3.2.1 KPIs are categorized as the highest level of metric and are used to assess performance against the strategic outcomes, objectives and goals. The KPIs are measurable values of how effectively business objectives are being achieved. They will be assessed annually with the results being used to gauge overall long-term performance and factored into Canada's decision to exercise its contract option years(s). Monitoring will be based on 12 months rolling average.

3.3 Metrics and Measurements

3.3.1 Metrics and measurements will be reviewed on a monthly basis. This set of data will support the KPIs and assists in identifying trends and corrective actions.

4 Performance Management Framework

4.1 General

4.1.1 The initial PMF is summarised in Table 1.

Table 1 – Year 1 Calibration Programme Performance Management Framework (PMF)

Objective	KPI	Supporting Metrics / Measurements / Data Sources
KRA 1 Availability Maximize Availability of TMDE for Users	KPI 1.1 - Calibration Turnaround Time	- Calibration Turnaround Time - Non Urgent - Outsourced - Calibration Turnaround Time - Urgent - Calibration Turnaround Time - Urgent - Outsourced - Response Time for Calibration Requests
	KPI 1.2 - Repair Turnaround Time	- Repair Turnaround Time - Outsourced - Time Estimate for Repairs Respected

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Objective	KPI	Supporting Metrics / Measurements / Data Sources
KRA 2 Affordability Manage Total Cost of Ownership	KPI 2.1 - Interval Optimization	- Calibration Interval Optimization - Adherence to Calibration Due Date - Recall Optimization
	KPI 2.2 - Cost Savings / Cost Avoidance	- Continuous Improvement Proposals

4.1.2 For each performance metric, the PMF provides a description, the metric, an explanatory note, the measurement, targets / standards and data strategy, and above all explains the hierarchy of how the measure or metric contributes to the broader goals and objectives within the Contract and DND/CAF Calibration Programme.

4.1.3 A measurement is an indication of the size, quantity or amount of a particular attribute of a product or process. For example, the number of calibrations provided. A metric is a measurement of the degree that any attribute belongs to a system, product or process. For example, the number of calibrations performed per year.

5 Performance Management Framework details

KRA 1 Availability - Maximize Availability of TMDE for Users

KPI 1.1 - Calibration Turnaround Time

Metric: Average Turnaround Time for Calibration.

Measurement: in accordance with (IAW) Annex A, Paragraph 2.7.

Target: Maintain or improve established standard (Annex A, Paragraph 2.8).

Data Strategy (Source): DID 100.002 para 10.2.2.

Notes: Nil.

KPI 1.2 - Repair Turnaround Time

Metric: Average Turnaround Time for Repairs.

Measurement: IAW Annex A, Paragraph 2.7.

Target: Maintain or improve established standard (Annex A, Paragraph 2.8).

Data Strategy (Source): DID 100.002 para 10.2.2.

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KRA 2 Affordability - Manage Total Cost of Ownership

KPI 2.1 - Interval Optimization

Metric: Percentage of Cost Savings due to Optimized Calibration Interval.

Measurement: Fluctuation of the percentage of costs saved from one year to the next due to an optimized schedule and extended calibration intervals.

Target: Maintain or reduce cost of calibration.

Data Strategy (Source): DID 100.002 para 10.2.3.

Notes: Nil.

KPI 2.2 - Cost Savings/ Cost Avoidance

Metric: Cost Savings/ Avoidance - Costs saved from current spending.

Measurement: Calculated cost savings as detailed in Continuous Improvement Proposals.

Target: Real cost savings

Data Strategy (Source): Continuous Improvement Proposals, DRMIS, and CMIS

Notes: For example:

- Re-engineering scope
- Productivity and process enhancements
- Quality improvements
- Technology improvements
- Streamlining logistics
- CMIS improvements
- Repair avoidance
- Other initiatives.

6 Option Years

6.1 General

6.1.1 The PMF is intended to incentivize the Contractor to achieve desired outcomes by making an early decision to grant option years to the Contract when standards are met or exceeded.

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6.1.2 The first three KPI's, assessed annually, will be used as the criteria for determining eligibility for option year(s). KPI 2.2 Cost Savings/ Cost Avoidance will drive financial incentive and is not included in the scoring of the option years.

6.1.3 Financial incentive payments will be addressed as per Continuous Improvement Incentives 3.5 of Annex "B" Basis of Payment.

6.2 Scoring

6.2.1 Consideration for awarding option years (Rolling Wave) will be based on the aggregate performance within each of the following KPI:

- a. KPI 1.1 - Turnaround Time – Calibrations;
- b. KPI 1.2 - Turnaround Time – Repairs; and
- c. KPI 2.1 - Interval Optimization

6.2.2 All metrics will be measured starting in Year One. The first Option year decision will be made starting at the end of Year Three. An award of an additional option year may be granted at the end of each consecutive year after Year Three, which would extend the three-year Rolling Wave Term respectively.

6.2.3 Annual targets and any deviations to the metrics or standards will be permitted only as approved by the Calibration Programme Executive Steering Committee.

6.2.4 Scoring will be as follows using the scoring grids below.

6.2.5 The maximum possible score is 15:

- a. all KPI must achieve a score of three (3) or above;
- b. one score of two (2) may be tolerated. Follow-up action necessary to remediate any issues will be noted with corrections made and performance improved to at least a three (3) for that KPI before the next period;
- c. a score of one (1) will trigger an investigation that may lead to the Contractor to be considered in default;
- d. The scores from the KPI assessments will be added:
 - 1) Acceptable Performance = 9-11;
 - 2) High Performance = 12-13 points; and

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3) Excellent Performance = 14-15 point.

KPI 1.1 - Turnaround Time – Calibrations

Metric: Average Turnaround Time for Calibration (All Instruments)

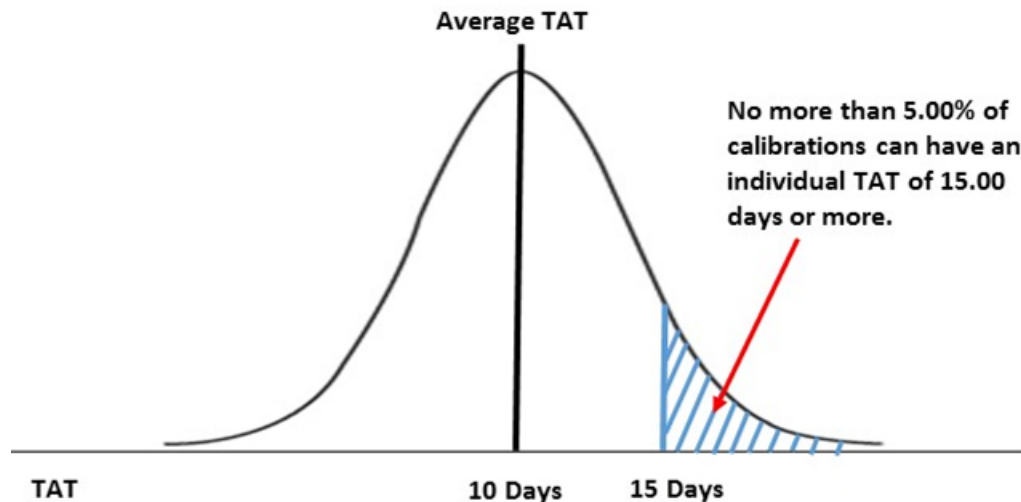
Goal: Average Turnaround Time for Calibration within acceptable standards			
Description	Condition A Average Turnaround Time	Condition B Percentage of Individual Turnaround Time	Application of Conditions to Scoring
Significantly Exceeds Standard	More than 2.5 days faster than contractual requirements	No more than 5.00% of individual calibrations over 15.00 days	A score of 5 is awarded if Condition A and Condition B are both met. A score of 4 is awarded if Condition A is met but Condition B is not met.
Exceeds Standard	Up to 2.5 days faster than contractual requirements	No more than 5.00% of individual calibrations over 15.00 days	A score of 4 is awarded if Condition A and Condition B are both met. A score of 3 is awarded if Condition A is met but Condition B is not met.
Meets Standard	As per contract	No more than 5.00% of individual calibrations over 15.00 days	A score of 3 is awarded if Condition A and Condition B are both met. A score of 2 is awarded if Condition A is met but Condition B is not met.
Fails to Meet Standard	Up to 4.5 days slower than the contractual requirements	Not applied	A score of 2 is awarded if Condition A is met. Condition B will be assessed, but is not applied.
Significantly Fails to Meet Standard	More than 4.5 days slower than the contractual requirements	Not applied	A score of 1 is awarded if Condition A is met. Condition B will be assessed, but is not applied.

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Notes:

- Average Turnaround Time (Condition A) will be calculated to two decimal places using the MS Excel ROUND function. The calculation of the Average Turnaround Time achieved by the Contractor is based on the actual Turnaround Time achieved for all TMDE calibrated during the reporting period, including the actual Turnaround Time achieved for TMDE with approved exemptions to the Contract individual Turnaround Time.
- Percentage of individual Turnaround Times (Condition B) will be calculated to two decimal places using the MS Excel ROUND function (see Figure 1). The calculation of the Percentage of individual Turnaround Times includes approved exemptions to the Contract individual Turnaround Time
- Days will be considered as working days

Figure 1 – Condition B: Percentage of Individual Turnaround Times (TAT)



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KPI 1.2 - Turnaround Time – Repairs

Metric: Average Turnaround Time for Repairs

Goal: Turnaround Time within acceptable standards		
Score of 5	Significantly Exceeds Standard	More than 14.5 days faster than the contractual requirement.
Score of 4	Exceeds Standard	Up to 14.5 days faster than the contractual requirement.
Score of 3	Meets Standard	As per contract
Score of 2	Fails to Meet Standard	Up to 14.5 days slower than the contractual requirement.
Score of 1	Significantly Fails to Meet Standard	More than 14.5 days slower than the contractual requirement.

Notes:

- Average Turnaround Time for repairs will be calculated to two decimal places using the MS Excel ROUND function. The calculation of the Average Turnaround Time achieved by the Contractor is based on the actual Turnaround Time achieved for all TMDE repaired during the reporting period, including the actual Turnaround Time achieved for TMDE with approved exemptions to the Contract individual Turnaround Time for repairs.
- Days will be considered as working days.

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KPI 2.1 - Affordability – Interval Optimization

Metric: Interval Optimization

Goal: Maintain or reduce average cost of calibration		
Contributing Metrics: KPI 2.1.2 - Interval Optimization		
Score of 5	Significantly Exceeds Standard	Contractor actions lead to a 5% or greater in fluctuation of cost savings from the previous calibration year due to optimized calibration interval
Score of 4	Exceeds Standard	Contractor actions lead to 2.5-4.9% in fluctuation of cost savings from the previous calibration year due to optimized calibration interval
Score of 3	Meets Standard	Contractor maintains the cost due to optimized calibration interval within -2.49% to +2.49% in fluctuation of cost savings from the previous calibration year due to optimized calibration interval
Score of 2	Fails to Meet Standard	Contractor actions lead to 2.5-4.9% in fluctuation of cost increase from the previous calibration year due to optimized calibration interval
Score of 1	Significantly Fails to Meet Standard	No positive efforts; Contractor actions lead to 5% or greater in fluctuation of cost increase from the previous calibration year due to optimized calibration interval

Notes:

- Example: cost savings in Year 1 are \$100,000.00 and cost savings in Year 2 are \$110,000.00, so the percentage fluctuation is 10% which would give a score of 5.

7 Modifying the PMF

7.1.1 All parties may propose changes to the PMF through the respective joint governance and management team as part of the routine monthly, quarterly or annual reviews.

7.1.2 The JMT will retain ownership of the PMF. The JMT will review any proposed changes and either document decisions made within its records of discussion and/or make written recommendations to the ESC for any major changes.

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7.1.3 Any changes to the PMF will not come into effect until a formal contract amendment has been issued.