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Vendor Performance Management

Mari-Tech 2021 Virtual Conference and Exhibition

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Public Services and
Procurement Canada

Services publics et
Approvisionnement Canada

Canada

Mandate Letter Commitment

“Continue the development of better vendor management tools to ensure the Government is able to hold contractors accountable for poor performance or unacceptable behaviour, particularly in large-scale procurements.”

***Minister of Public Services and Procurement Canada
December 13, 2019 Mandate Letter***



Objectives

- In support of the Minister's mandate letter commitment, the Acquisitions Program of Public Services and Procurement Canada has developed a policy on Vendor Performance Management (VPM).

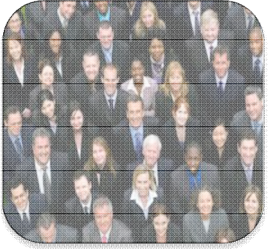


Research and Engagement



Internal

- Extensive research and analysis undertaken of many municipal, provincial, and international VPM practices
- Broad consultations within PSPC, SSC, TBS, and with the biggest federal buyers (25+ working level meetings with 24 OGDs)



Industry/Vendors

- Supplier Advisory Committee (SAC) and VPM Subcommittee
- 12 national industry associations
- 32 industry associations across 5 regions



Other Jurisdictions

- Engagement with Provincial and Territorial counterparts
- Consultations with Municipalities, e.g., Ottawa, Gatineau and Halifax
- Consultation with Australian officials
- Meeting with US officials in Washington
- Consultation with New Zealand Officials



International Models Analyzed

UNITED STATES OF AMERICA

- **1994 Federal Acquisition Streamlining Act** – the statutory basis for evaluation of past performance
- **Central repository**
- **Mandatory** for Architecture & Engineering contracts over \$35,000; construction contracts over \$700,000; on all other contracts and orders over \$150,000
- **5-point rating scale (1-5):**
 - [5] = Exceptional
 - [4] = Very Good
 - [3] = Satisfactory
 - [2] = Marginal
 - [1] = Unsatisfactory
- Vendors are evaluated on the following:
 - **Technical** (quality of product/service)
 - **Cost** control
 - **Schedule**/Timelines
 - **Management**/Business relationship
 - Small business contracting
 - Regulatory Compliance (e.g. environmental, labor, safety)

UNITED KINGDOM

- **2012 Procurement Policy Note (04/15)** – Taking Account of Suppliers' Past Performance
- **Central repository**
- **Mandatory** for contracts over £20 million for goods and services in respect to information and communications technology, facilities management or business processing
- Certificates of Performance used to certify whether a vendor has supplied goods and/or services in accordance with the contract
- Reasons for non-performance indicated in Certificates of Performance
- Reasons for non-performance may include:
 - Failure to meet any service levels and/or supply the goods/services in accordance with **quality** standards
 - **Schedule** (delays)
 - Failure to deliver all goods/services
 - Any other failure to comply with the contract

AUSTRALIA

- **2013 Public Governance, Performance and Accountability Act (PGPA)** and the **2014 Commonwealth Procurement Rules**
- **Central repository**
- **Mandatory** for defence capital acquisition contracts over \$10M; in-service support contracts or standing offers over \$5M; lower value contracts operationally sensitive, militarily significant
- **5-point rating scale (1-5):**
 - [5] = Very good
 - [4] = As contracted
 - [3] = Marginal
 - [2] = Unsatisfactory (showing improvement)
 - [1] = Unsatisfactory
- Vendors are evaluated on the following:
 - **Technical** performance
 - **Cost**
 - **Schedule**
 - Relationships (i.e. **Management**)
 - Contracting



Design Approach

- The VPM Policy is a new framework to support fair, balanced, and consistent performance evaluations.
- Clear performance expectations will be shared with contractors to ensure that they fully understand how to fulfill their contractual obligations.
- Performance ratings will be used in future bid evaluation processes to incentivize good performance.
- Modeled after the U.S. approach, but augmented by best practices and lessons learned from other jurisdictions (e.g. United Kingdom, Australia, British Columbia, Alberta, Saskatchewan, Ontario, and Yukon).
- Standard key performance indicators (KPIs) will minimize subjectivity and burden for technical and contracting authorities.
- Client departments, industry participants, and internal stakeholders indicated a preference for a five-point scale, as it allows for 'excellence'.



Key Elements of the Policy

- The threshold for contracts where PSPC is the Contracting Authority is set at \$100K:
 - \$100K threshold captures approximately 96% of commodities
 - Variations in threshold are permissible according to the particular good or service
 - Thresholds may not apply for pilots in the interest of data collection
- Commodity specific scorecards with KPIs will be used to evaluate vendor performance. Scorecards include four distinct evaluation categories:

Quality	Management
Cost	Schedule

- Performance expectations will be clarified and communications will be improved with all parties involved throughout the contract lifecycle.
- Historical performance information will be used to inform buying decisions (i.e., past performance information will be included in the bid evaluation/award process).

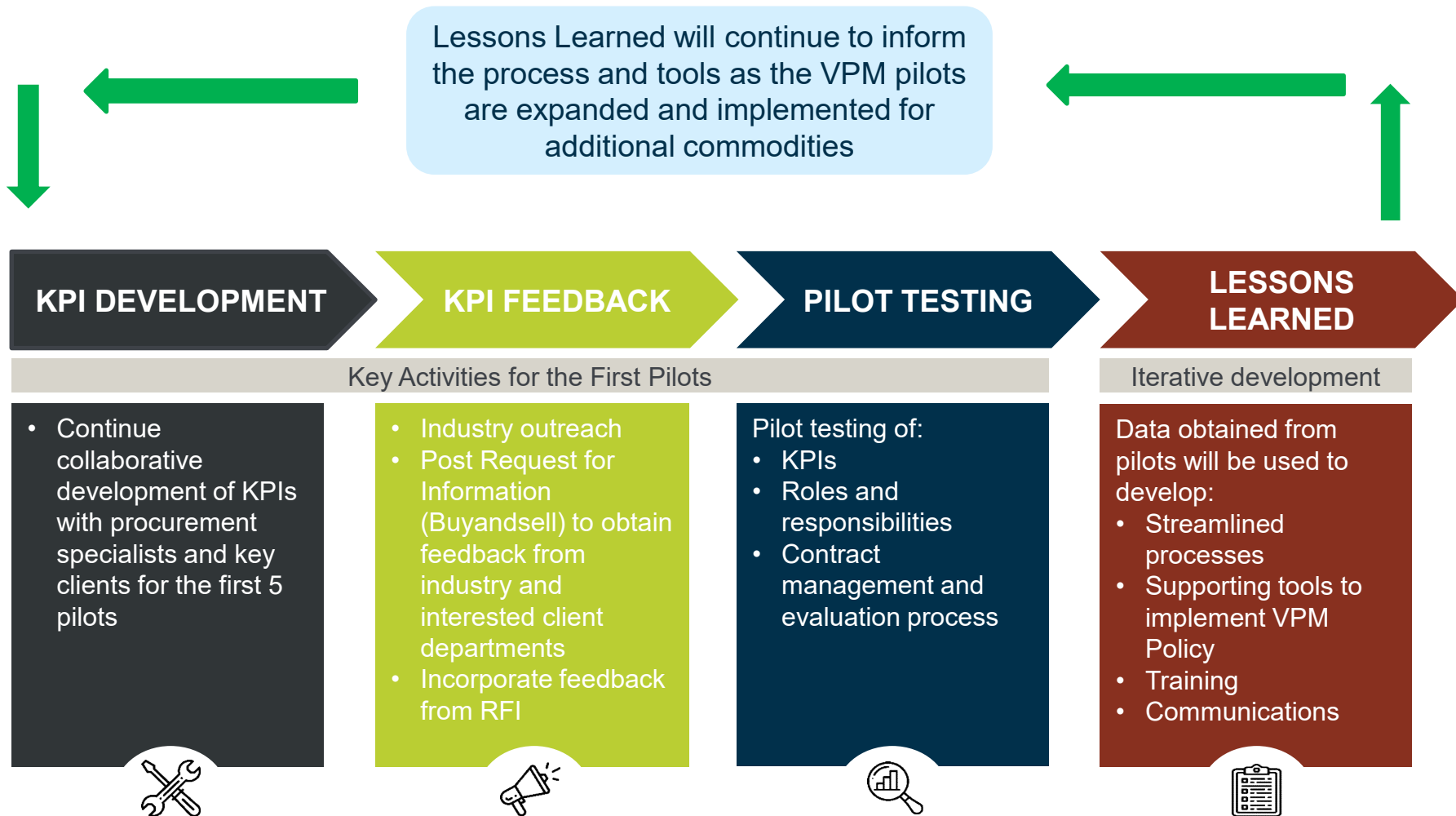


Vendor Performance Scores

- Assigning vendors a rating based on their performance over the course of the contract:
 - Communication with vendors at regular intervals throughout the contract will allow vendors to receive input on performance and discuss options to correct inadequate performance.
- Ratings:
 - will be weighted over five years, with greater weight given to recent years;
 - will be weighted within a range of 5% to 25% of the overall bid evaluation score based on the circumstances of each individual solicitation;
 - will be filtered by vendor and commodity; and, potentially, by similar complexity; and,
 - may also be used for purposes of pre-qualifying or screening vendors throughout the bid evaluation process.



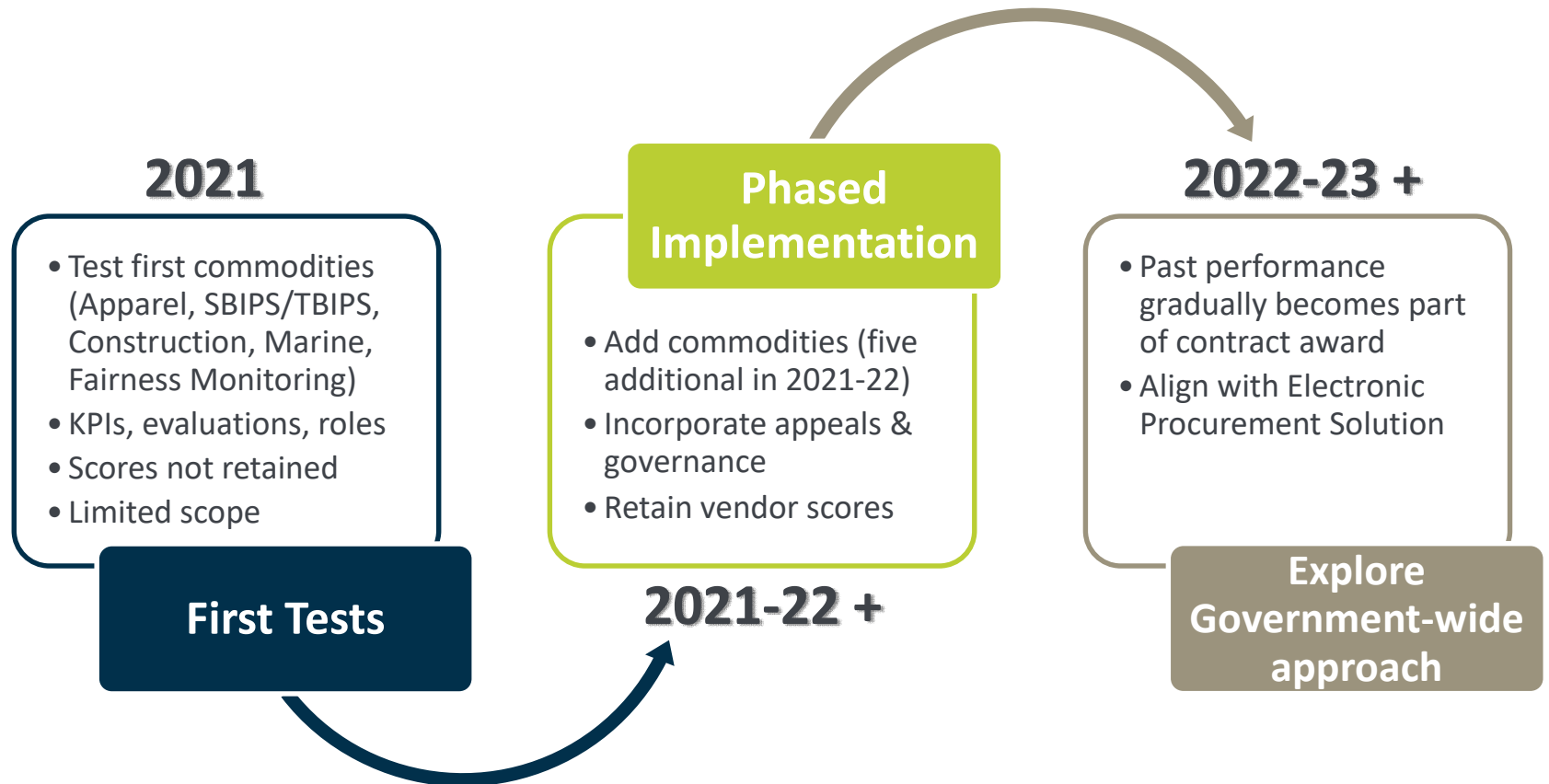
Pilot Policy Process



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Timelines of the Initiative



Gradual implementation, both on a *commodity* basis and in testing VPM Policy *components* in phases.

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Staying Informed

A newly updated VPM website has recently been launched. For more detailed information and the latest updates on the status of VPM activities, consult the follow resources:

- Website: <https://www.tpsgc-pwgsc.gc.ca/app-acq/grf-vpm/grf-vpm-eng.html>
- Summary of Stakeholder Engagement: <https://content.buyandsell.gc.ca/vendor-performance-management-vpm-what-we-heard-a-summary-of-stakeholder-engagement>
- A Request for Information on pilot scorecards and performance evaluation process is currently posted on Buyandsell.gc.ca: <https://buyandsell.gc.ca/procurement-data/tender-notice/PW-21-00950744>
- Contacts:
 - Executive Director: Caroline Landry, 613-818-6675
 - Associate Director: Ricardo Seoane, 613-614-0728
 - Manager: Dante Scalzo, 873-354-3578

