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# Procurement Modernization: A Government of Canada-wide Approach

Presentation at the International Aerospace Week  
Palais des congrès, Montréal

April 3, 2017

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Government  
of Canada

Gouvernement  
du Canada

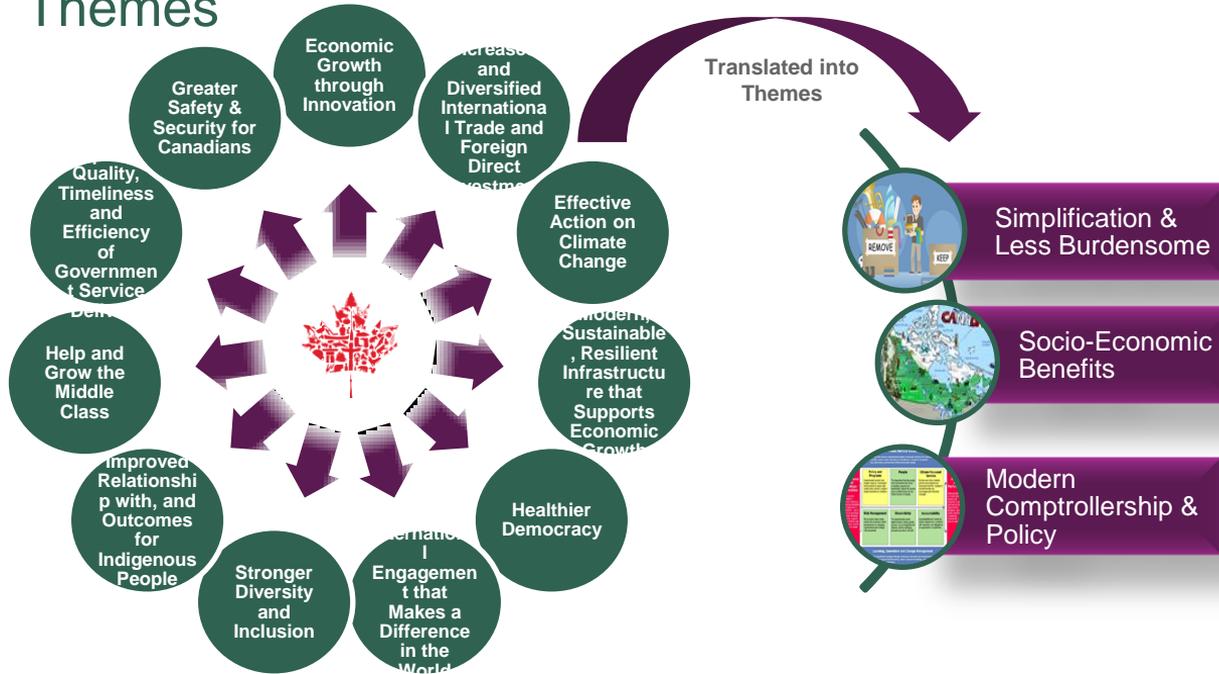
Canada

## Purpose

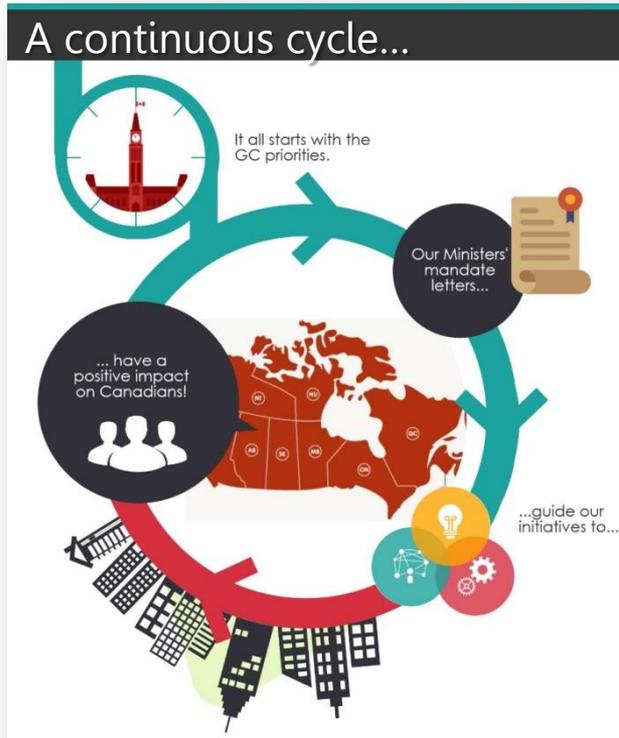
- To provide an overview of the Procurement Modernization agenda and outline achievements and progress since its approval by the Minister of PSPC & the President of the Treasury Board in April 2016;
- To encourage actors in the aerospace industry to engage with Government of Canada on Procurement Modernization and its specific initiatives; and
- To provide a brief overview of the plan for GC Procurement Modernization for the next 12 months.



# Government priorities & Procurement Modernization Themes



# Answering the Call for Action



Procurement-related commitments in ministerial mandate letters:

- Simpler, less administratively burdensome (PSPC)
- Modern comptrollership through renewed policy (TBS)
- Specific Socio-Economic Benefits (various departments and agencies)

A robust **foundation** for the procurement function, established through strong **collaboration and clear roles and responsibilities**, will allow for greater **agility**

Enabling us to efficiently respond to current and future government priorities

# Government of Canada

## Ministerial Mandate Priorities

We are collaborating across Government to implement the main ministerial mandate priorities related to procurement

### Minister of Public Services and Procurement:

- Simpler, less administratively burdensome procurement processes and practices;
- Deploying modern comptrollership; and
- Implementing practices that support the Government's economic policy goals, including green and social procurement.

### President of the Treasury Board:

- Review policies to improve the use of evidence and data in program innovation and evaluation, more open data, and a more modern approach to comptrollership.

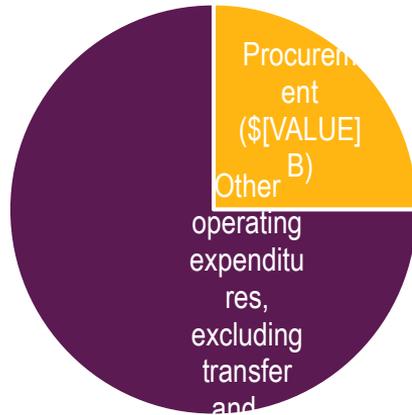
### Ministers of other government departments:

- Promote economic development and create jobs for Indigenous Peoples (Indigenous and Northern Affairs);
- Partner closely with industry to support efforts to increase productivity and innovation (Innovation, Science and Economic Development); etc.

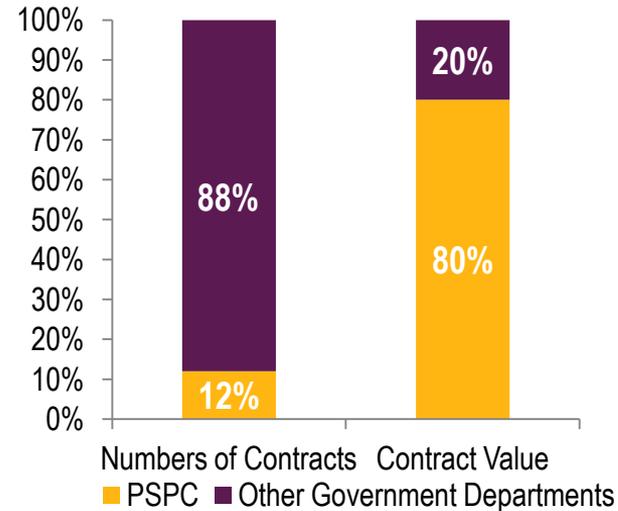
# Procurement Landscape – Scale and Distribution

Federal procurement plays a large and integral role in the Canadian economy and is a major enabler for government operations.

**10-year Average federal government spend on procurement as a proportion of the government's total operating expenses**

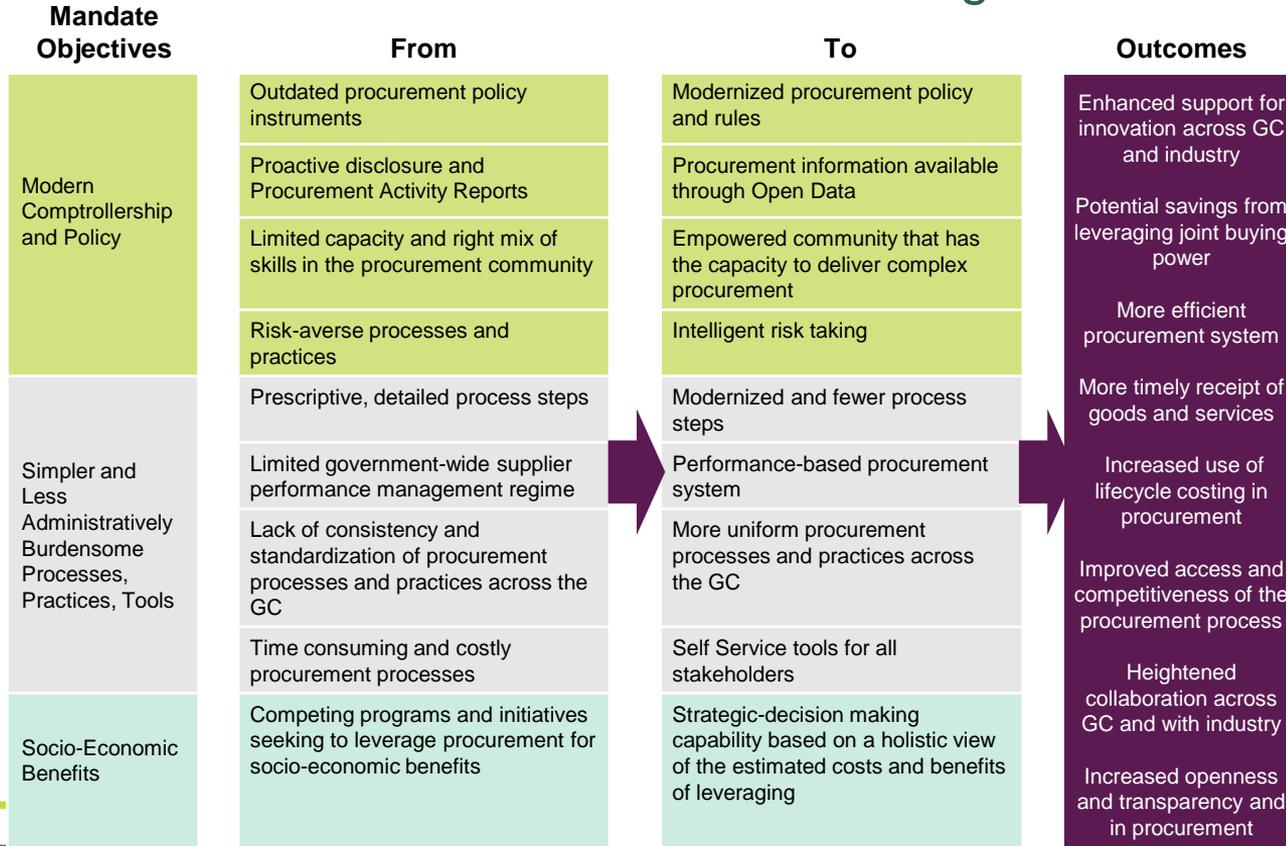


**Distribution (%) between PSPC and Other Government Departments by Number and \$ Value of Contracts**



Source: Public Accounts of Canada, Acquisitions Information Services (2004/05 – 2013/14) and Purchasing Activity Report (2004-2013)

# Where we were and what we are moving towards



Better Value for Canadians



# Procurement Modernization initiatives

There are several specific initiatives currently underway that contribute to the overarching goal of modernizing federal public procurement. These include:

## Simpler, less administratively burdensome

- Business Process & Contract Modernization such as phased bid compliance;
- Electronic Procurement Solution (EPS);
- Supplier Relationship and Performance Management Regime;
- Low Dollar Value (LDV) Low Complexity procurement; and
- Extension of GC procurement tools to Provinces and Territories.

## Socio-Economic Benefits

- Defence Procurement Strategy (DPS) & Sustainment Initiatives;
- Build in Canada Innovation Program (BCIP) assessment;
- Administrative requirements for leveraging public procurement for Socio-economic and Environmental Benefits; and
- Fulfilment of procurement requirements in Land Claim Area & Indigenous inclusiveness.

## Modern Comptrollership & Policy

- Training and Capacity Building;
- Open Data initiative;
- Policy Suite Reset (PSR); and
- Risk Management Modernization.

# Consultations to date

We have conducted consultations with a wide variety of partners, such as:

- GC departments and agencies at executive and working levels;
- Regional employees of PSPC and other departments in Halifax, Montreal, Toronto, Edmonton, Vancouver, and Victoria; and
- Suppliers and industry associations from a broad variety of sectors of the Canadian economy and throughout all regions of Canada.
  - Supplier Advisory Committee – November 2016 & March 2017
    - Presentation on the Government-wide Vision for Procurement to members of PSPC's Supplier Advisory Committee.
  - Regional Visits – December 2016
    - The Procurement Modernization Integration Team met with several regional industry associations and suppliers from Coast to Coast. These included:
      - The Construction Association of Nova Scotia, Buy Social Canada, Agropur, Aéro Montréal, the Atlantic Canada Aerospace & Defence Association, Alberta Women Entrepreneurs, Go Productivity, etc.
  - Industry Consultations – February 13-15, 2017
    - We met with a variety of industry associations to get their feedback on specific Procurement Modernization initiatives and the Government-wide Vision for Procurement.



## Highlights from Industry Consultations February 13-15, 2017

- Approx. 15 national industry associations representing thousands of members from defence and aerospace, transportation, information technologies (IM/IT), renewable energies, etc.
  - For example: the Aerospace Industries Association of Canada (AIAC), the Canadian Construction Association, the Information Technologies Association of Canada (ITAC), the Canadian Wireless Telecommunication Association, and the Canadian Council of Innovators (CCI).
- Associations not traditionally consulted, such as Women Business Enterprises (WBE) Canada, Sustainable Development Technology Canada, & the Canadian Energy Efficiency Alliance, appreciated the chance to be included in Government consultations on Procurement Modernization.
- Industry provided valuable feedback on Procurement Modernization initiatives, as evidenced by the fact that several Procurement Modernization initiative team leads are building relationships and conducting further consultations with industry associations.

# Progress to date

Successes at the level of individual component initiatives include:

**Extending the use of GC procurement tools** to Provinces & Territories by signing Master User Agreements (MUAs) so far with: PEI, NB, NWT, YK, NS, ON, and NL. – Aug. 2016 to present

**Statement of Work (SOW) builder** introduced to simplify procurement of professional services by using standardized content & predefined categories – Summer 2016

**Enhanced BuyandSell website** to give suppliers opportunity to view upcoming SO/SA tools which allows for more transparency and planning – Summer 2016 to present

**Policy Suite Reset –** Initial consultations with departments, Agents of Parliament and Bargaining Agents – Oct.2016 to present

**Phased Bid Compliance** process being tested for complex procurements to provide bidders a second opportunity to comply with mandatory and rated requirements after bid closing – June 2016 to present

**Open Data** initiative ensuring data on contracts over \$10,000 made public via centralized database through publishing of revised guidelines on the Proactive Disclosure of Contracts – March 2017

**Pricing Framework** including costing principles and profit policy to simplify procurement and provide better value – 2015 to present

**Risk Management Modernization** to achieve a more optimal risks sharing and allocation and opportunity for better value – Oct.2015 to present

# Pricing Framework

## (A component of the Sustainment Initiative): Overview

The Sustainment Initiative was created in 2013, with the objective of improving defence procurement

- CADSI published a report in 2013 highlighting the need to examine pricing of non-competitive contracts;
- In 2015, PSPC commissioned a review to explore opportunities to modernize its pricing framework;
- Currently, when price cannot be determined by market, price is based on Government sanctioned (allowable) costs plus profit.
  - Canada's Contract Cost Principles (SACC 1031-2) defines allowable costs.
  - Chapter 10 of the Supply Manual prescribes how profit is calculated and its limits.
- In 2016, PSPC developed an Action Plan in response to the Review's recommendations. (<http://www.tpsgc-pwgsc.gc.ca/app-acq/amd-dp/samd-dps/reponse-respond-eng.html>)
- As a result of the Review, PSPC is developing guidance on:
  - Costing Framework and internal process; and
  - Alternative approaches.

# Pricing Framework: Objectives & Status Update

This initiative is guided by certain Government objectives, which include:

- Providing opportunities to build stronger business partnerships with industry.
- Strengthening the GC pricing framework that is expected to contribute to:
  - Better value for Canada;
  - Greater certainty and ease in administration for industry; and,
  - Promoting innovation.
- Aligning with PSPC's priority to modernize procurement practices.

We understand the importance of ensuring that this initiative responds to the needs of both GC and industry. Some achievements so far and goals for the future include:

- Advisory Committee established (PSPC, DND, CCC, TBS, ISEDC, Industry representatives) and met early December.
- Internal projects initiated to improve application of PSPC's practices.
- Interim Profit Provision to be published – Spring 2017
- Update of Canada's pricing framework and internal processes will be informed by:
  - Feedback from consultations (e.g. Advisory Committees)
  - Lessons learned from the Sustainment Initiative contracts.
  - Work in response to the PSPC program evaluation of the *Cost & Profit Assurance Program*.

# Risk Management Modernization: Overview

This initiative is in response to the Government of Canada hearing from industry that we are too risk averse when it comes to risk in contracting

- In November 2015, PSPC launched two government-wide Risk Management Modernization Initiatives:
  - Review of Commodity Groupings and Limitation of Liability; and
  - Risk Re-balancing Review.

## **Phase I: Independent Review (October 2015-July 2016)**

- PSPC engaged an independent consulting firm, Interis, to conduct independent reviews and provide recommendations.
- July 5, 2016, PSPC held an open forum session for Interis to present its key findings and recommendations and for stakeholders to provide feedback.

## **Phase II: Collaborative Decision and Action Plan (July 2016 – to date )**

- Make use of the recommendations of two Interis review reports as a start to deeper consultation with stakeholders.
- For the Commodity Groupings review, the focus is to improve our current list of Commodity Groupings (CGs) and associated Limitations of Liability (LoL). A working group was created in November 2016, specifically on IM/IT Commodity Groupings.

# Risk Management Modernization: Objectives & Status Update

The overall objective of the Risk Management Modernization initiative is to:

- Achieve a more optimal balance of procurement risks sharing and allocation for government and suppliers to optimize opportunities for value for money, innovation and competition in federal procurement.

Achievements so far and next steps include:

- For the Risk Re-balancing, a working group workshop with participants from GC and Industry was held on February 9, 2017 to discuss four topics: Data Collection Requirements & Risk Information Disclosure, New Generation of Risk Management Tools, Cost of Risk, Benefits of Re-Balancing Risk, Training, Guidance and Best Practices. Input from the workshop is currently being validated and will form the basis of a proposed action plan to senior management by end of March 2017
- Work collaboratively across GC & with industry within the Commodity Groupings Working Group (CGWG) to:
  - Develop consensus for Commodity Groupings (CGs) and their associated Limitations of Liabilities (LoL);
  - Identify base approach to LoL for all CGs (i.e. minimum, maximum or cap coverage);
  - Refine CGs descriptions based on comments from all CG working group (CGWG) meeting participants; and
  - Create a revised list of CGs.

# Business Process Modernization (Phased Bid Compliance): Overview

This initiative will help simplify federal procurement for suppliers and allow more suppliers, especially SMEs, to participate in GC procurement

June 2016:

- Developed a policy that provides flexibility to bidders when they are required to provide certifications and declarations when these are a mandatory requirement of a solicitation.

Mid-August 2016:

- Developed a preliminary set of recommendations for a policy on the Phased Bid Compliance Process (formerly the Two-Step Bid Evaluation Process) on the basis of extensive consultation with Acquisitions Program procurement authorities, including those with experience using the process.

Late October 2016:

- Secured input from Government of Canada stakeholders and industry based on a preliminary set of recommendations.

November to late December 2016:

- The initiative finalized their recommendations based on stakeholder input from a variety of consultations across the Government of Canada and with industry.

# Business Process Modernization (Phased Bid Compliance): Objectives & Status Update

The objectives of the Phased Bid Compliance initiative are to:

- Support competitive bidding through the avoidance of non-compliant bids and the realization of best value to Canada;
- Provide bidders an opportunity to demonstrate phased compliance with the mandatory requirements of a given solicitation while reducing the risk of non-compliant bids; and
- Improve access for suppliers to compete for government of Canada business.

Some achievements so far and next steps include:

- To date, the Phased Bid Compliance process has been included in 20 solicitations & employed in 12;
- Releasing criteria and guidelines for the Phased Bid Compliance process in Spring 2017.
- Developing the overarching policy and supporting tools, which includes:
  - Standard wording for solicitations; and
  - Detailed instructions to procurement authorities.
- Developing communications & training materials for suppliers and GC employees, to ensure standardization across GC;
- Promulgating the policy and continuing to track and report on the use of the process at PSPC;
- Holding more information sharing sessions for Government of Canada and industry stakeholders to inform of the new policy and how it's working.

# Milestones for the next 12 months

Through ongoing consultations & engagement, we will implement the Integrated Plan for Procurement Modernization, which includes:

## Simpler, less administratively burdensome

- Further modernizing and enhancing the Buy and Sell website;
- Transitioning to a paperless procurement process through the acquisition of an E-Procurement Solution (EPS);
- Simplifying contracts;
- Reducing payment delays to suppliers through the use of Acquisitions Cards;
- Phasing in the simplified process for Low Dollar Value (LDV) Low Complexity procurements in 10+ Departments across the Government of Canada; and
- Signing additional agreements with provinces and territories, and encouraging use of Government of Canada procurement tools to get best value for Canadians and offering more opportunities for suppliers.

## Socio-Economic Benefits

- Growing the Build in Canada Innovation Program (BCIP) by adding a demand-based component;
- Further streamlining of the Standing Offers and Supply Arrangements (SO/SAs) and increasing their use as a tool for leveraging procurement for Socio-Economic Benefits; and
- Continuing engagement across GC and with industry to develop a framework for leveraging procurement for Socio-Economic Benefits.

## Modern Comptrollership & Policy

- Launching an aggressive recruitment campaign for PGs; and
- Conducting external consultations on the Policy Suite Reset, including with industry & organizations representing Indigenous Peoples.

## Conclusion

The success of Procurement Modernization is dependent on continued collaboration across the Government of Canada and between the Government and industry.

Should you have further comments or questions following this meeting, please contact us:

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We welcome your feedback, which has been instrumental to the shaping of the initiatives and successes of Procurement Modernization so far.

# Questions?

