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# **Acquisitions Program Transformation Procurement Modernization - Standing Offers and Supply Arrangements**

## **Presentation to the Supplier Advisory Committee**

**Date:**

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**Presented by:**

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# Procurement Modernization Objective

Minister's Mandate commitment:

*Modernize procurement practices so that they are simpler, less administratively burdensome, deploy modern comptrollership, and include practices that support our economic policy goals, including green and social procurement.*

*(<http://pm.gc.ca/eng/minister-public-services-and-procurement-mandate-letter>)*

To make it as easy as possible for our clients to purchase goods and services and for suppliers to sell them, while respecting our stewardship and integrity obligations.

# Overview of the Federal Procurement Landscape

- On an annual basis, federal procurement spending contributes close to 1% of Canada's Gross Domestic Product (GDP).
- Over the past decade, the federal government has spent on average \$18B annually on federal contracts.
- PSPC has managed 12% of total federal contracts but approximately 80% of the total dollar value of federal procurement, almost half coming from military procurement.
- The other 88% of federal contracts are managed by all other federal government departments.
- The majority of contracts (80%) continue to be tendered using competitive processes.
  - 80% of PSPC contracts are competitive.
  - 61% of Other Government Departments' (OGD) contracts are competitive.



# Current Procurement Picture

- 2000+ Standing Offers/Supply Arrangements and unknown number of task authorization contracts
- SO/SA created for a particular time and purpose
- Now described by some stakeholders as ‘cumbersome’, ‘long’, ‘inefficient’
- Some processes/policies from paper based procurement structure
- Procurement environment has changed



**How do we turn this into an “Amazon” like purchasing experience for clients?**

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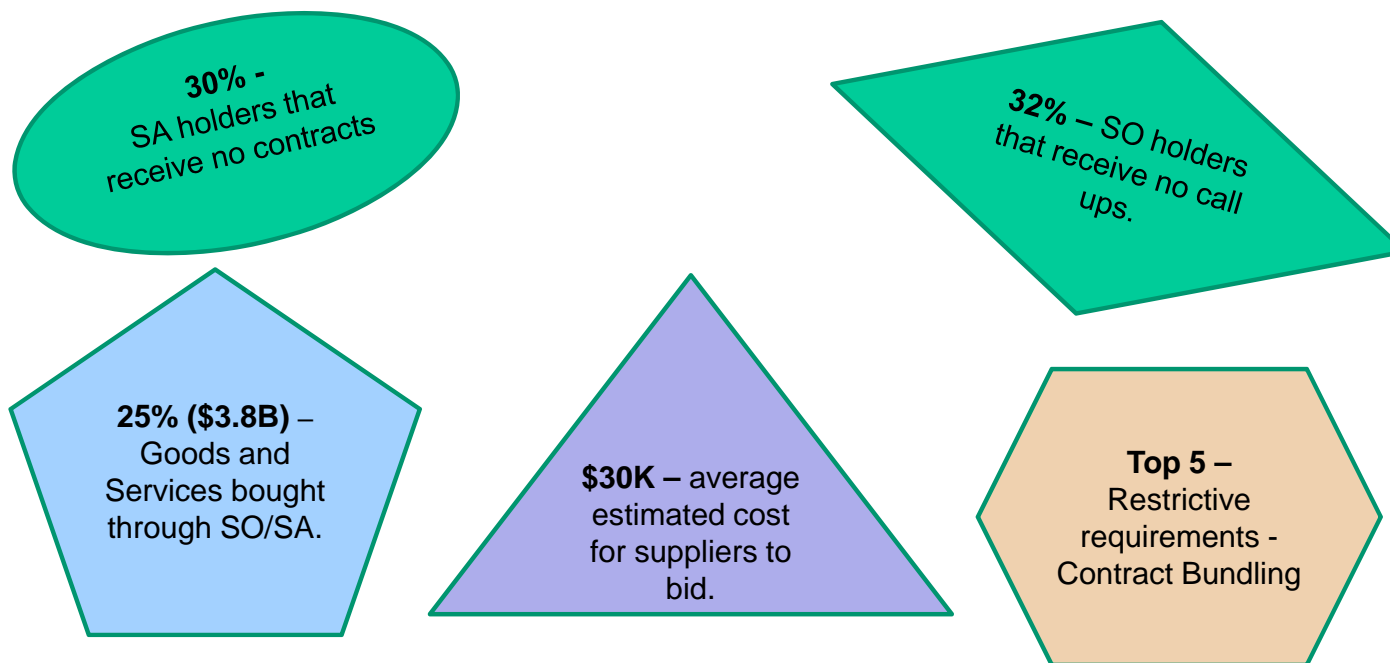
# Room for Improvement

- Modernize policies and procurement policy framework
  - Reduce variation in business rules
  - Strategic sourcing initiatives, integrated departmental planning, innovative procurement practices
  - Electronic procurement tool
  - Electronic payments
  - Quality and availability of data
  - One time supplier onboarding
- Supplier concerns;
    - Process – long, confusing and costly
    - Lack of regional/local purchasing
    - Low dollar value – little standardization, simplified process
    - Security clearance process
    - Lowest price awards v. Best value
    - Standardized payment options



*Resource: Supplier Consultation Initiative Report*

## By the Numbers...



# Simplifying Standing Offers

- Future e-Procurement Solution Clause
- Use of Standing Offers by other jurisdictions (Provincial - Territorial)
- Use of Postal Codes to define Area of Supply
- Managing Supplier Information: Onboarding, Bidding, pre-Contract Award
- Supplier Managed Price Refresh
- Volume Discounts
- Acquisition Card Default SO Ordering Mechanism up to \$10K
- Standard Call Up Limits for e-Catalogues
- Right Size Supplier Base
- Selecting Suppliers According to Right-fit
- E-Request for Proposal & E-Evaluation
- Reducing number of Standing Offers



# Future e-Procurement Solution (EPS) Clause

## **Business Change:**

- Ensure procurement instruments in place prior to the roll out of EPS have the flexibility to switch to EPS.

## **Anticipated Benefits:**

- Opportunity to enjoy benefits of EPS earlier in the implementation; and
- Avoid switch to EPS being held up by procurement instrument language.



# Use of Standing Offers by other jurisdictions (Provincial, Territorial)

## **Business Change:**

- Open the utilization of our federal procurement instruments to other jurisdictions (provinces and territories).

## **Anticipated Benefits:**

- Better economies of scale, `Best Value`;
- Suppliers access to a greater marketplace;
- Reduction of Public Service Procurement administration costs; and
- Supports move to e-procurement.

Please contact Sean Crossan ([Sean.Crossan@tpsgc-pwgsc.gc.ca](mailto:Sean.Crossan@tpsgc-pwgsc.gc.ca)) for more information.

# Use of Postal Codes to define Area of Supply

## Business Change:

- Utilize postal codes to define areas of supply. Currently, procurement instruments have multiple methods of defining geographic areas of supply.

## Some Examples of Area of Supply:

- **National** - Entire country – all postal codes, National except remote areas, National except CLCAs;
- **PSPC Regions** – first character of postal code; and
- **By City** – first two characters of postal code.

## Anticipated Benefits:

- System in place and maintained by Canada Post; and
- Simpler, precise definition for area of supply.



# Managing Supplier Information: Onboarding, Bidding, pre-Contract Award

## **Business Change:**

- Allow suppliers to self-register once and then self-manage their catalogues, price lists, certifications and respond to e-sourcing events.

## **Anticipated Benefits:**

- Less administrative burden for all stakeholders;
- Enhance interactions between suppliers and end-users;
- Real time e-bidding visibility; and
- E-orders.

# Supplier Managed Price Refresh

## **Proposed Business Change:**

- Allow suppliers in a multi-supplier e-Catalogue to price refresh downward their pricing at their discretion. Prices can never exceed the price bid during the establishment of the e-Catalogue.

## **Anticipated Benefits:**

- Increased use of e-Catalogues;
- Price relevancy - Better pricing over the life of the e-Catalogues, through competition and sale prices;
- 'Best value';
- Less administrative burden/cost for commodity owners; and
- Simpler and consistent business rules for clients and suppliers.

# Volume Discounts

## **Proposed Business Change:**

Structure simple e-Catalogues so suppliers offer different price points for e-catalogue goods/services\* based on volume. The discount increases by tier as the number of units is increased.

### *Example:*

- *an order of one unit of product A would cost \$100*
- *an order of 2 to 100 units would cost \$90 per unit (10% discount)*
- *an order of 101 to 500 units would cost \$85 per unit (15% discount)*
- *any order over 500 units would have a costs of \$80 per unit (20% discount)*

Better spend data through EPS could improve demand management for each department. Requirement optimization is a feature of EPS that in the future could improve demand management across the GC.

\* Not applicable to all services but could apply to services such as training.

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# Volume Discounts

## **Anticipated Benefits:**

- Better prices for volume purchases, without requiring second step “Request for Volume Discount”<sup>\*</sup> process;
- Support Federal Provincial Territorial onboarding;
- Increased sales for qualified suppliers; and
- Supports move to e-procurement.

<sup>\*</sup> Request for Volume Discount” process could still apply over defined thresholds, for very large purchases.

# Acquisition Card Default SO Ordering Mechanism up to \$10K

## **Business Change:**

- Make acquisitions cards the default ordering mechanism for standing offers and supplier arrangements, where appropriate, for e-catalogue purchases up to \$10K.

## **Anticipated Benefits:**

- Will make ordering faster and easier;
- End-users can place order, no need for procurement support;
- Suppliers paid faster;
- Mandatory threshold set at \$10K to align with other policy requirements and to ensure proper balance between fast payment and merchant fees charged by acquisition card providers; and
- Supports move to e-procurement.

# Standard Call Up Limits for e-Catalogues

## Business Change:

- Reduce the number of call up limitations used in Acquisition Program procurement instruments. There were ~120 different call up limitations in use.

	Standing Offer Call up Limitations			
Goods	\$25K	\$40K		\$400K
Services	\$25K		\$100K	\$400K

## Anticipated Benefits:

- Standardization – simpler for all stakeholders;
- Allows end-user in client departments to manage more low risk procurements; and
- Simpler for EPS implementation.



# Right Size Supplier Base

## **Business Change:**

- Establish the smallest supplier base necessary to assure security of supply, use of all qualified suppliers, reasonable price range, equivalent value and to satisfy the socio-economic policy goals (e.g.: green, aboriginal).

## **Anticipated Benefits:**

- Higher percentage of qualified suppliers receiving contracts (*currently 30% do not receive contracts*);
- Lower administrative costs;
- Stronger competition, better pricing, volume discounts; and
- Supports EPS onboarding management.

# Selecting Suppliers According to Right-fit

## Proposed Business Change:

- Make it a practice that for multi-supplier e-Catalogue that qualifying suppliers will be deemed essentially equivalent: up to competitive call-up limits established for the e-Catalogue;
- Suppliers will no longer need to be ranked and a competitive winner named; and
- End users can select based on **Right-fit** from the qualified suppliers.

## Anticipated Benefits:

- Eliminates the need for Business Allocation models such as “Right of First Refusal” proportional, rotational;
- Improves non-procurement end user purchasing experience (Amazon-like experience);
- Basis for selection is **Right-fit** (i.e. best-value for end-user) not the lowest price;
- End-user is responsible and accountable for their contractor selection rationale (A drop-down menu of rationale would be added for improve Business Intelligence and reporting);
- Aligns with the known ‘Out of the Box’ capabilities of the EPS; and
- Aligns with industry best practice beyond single supplier catalogues.

# E-RFP and E-Evaluation

## **Business Change:**

- Automate the preparation of RFPs, online solicitations to suppliers, gathering of e-bid responses and perform online evaluations.

## **Anticipated Benefits:**

- Less administrative burden for all stakeholders;
- Enhance interactions between end-users and suppliers;
- Streamlined procurement processes; and
- Increased productivity.

# Reducing Number of Standing Offers

## **Business Change:**

- Apply strategic sourcing to reduce the number of procurement instruments from 2000 (current number of Standing Offers) to approximately 200 by consolidating regional and individual standing offers into national and master standing offers while ensuring that catalogues have the right streams and number of products/services. (Regional suppliers will still be able to supply on National tools, with Postal Code based delivery areas)

## **Anticipated Benefits:**

- Better user experience
- Stronger competition, better pricing;
- Better opportunity for volume discounts;
- Lower administrative costs; and
- Higher percentage of qualified suppliers receiving contracts.



# Questions



Please contact us at [TPSGC.sae-sps.PWGSC@tpsgc-pwgsc.gc.ca](mailto:TPSGC.sae-sps.PWGSC@tpsgc-pwgsc.gc.ca)

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