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LIGHT RAIL TRANSIT (LRT) PROCUREMENT

City of Ottawa



*The City of Ottawa Light Rail Transit Team
l-r: Glen T. Ford, Réjean Chartrand,
Barry Townsend, Daniel Farrell*

BUILDING ON THE success of an earlier pilot project, the City of Ottawa, Canada, is implementing a citywide Light Rail Transit (LRT) network – a key facet of the City’s 20-year growth strategy. The management plan incorporates “smart growth” principles that strive to boost the economy, protect the environment, and enhance community vitality.

The North-South LRT Project – to be delivered through an agreement with a third party – is the first part of a comprehensive rapid transit program that includes over 100 km of LRT and 60 km of new Bus Rapid Transit (BRT) lanes.

The overall scope of the project delivery includes two distinct elements: 1) the design-build and 2) the operations and maintenance phases which include:

- the light rail vehicles;
- the civil structures and facilities; and
- the “LRT systems,” which include track structure, track and switches; power supply and traction power; train control, and communications.

The project’s procurement strategy included:

- a request for qualifications (RFQ) to:
 - identify qualified civil engineering/architectural organizations;
 - identify light rail manufacturing organizations; and
 - encourage formal teaming arrangements and structures which will be able to design, build and maintain the LRT to specified performance standards for a 15-year operational period.
- a request for proposals (RFP), addressed to organizations qualified through the RFQ process, to:
 - Select a single structured organization which will:
 - design and build the required civil structures;
 - design and build the light rail trains and supporting structures

- maintain the civil and train structures for a 15-year operational period; and
- assume all appropriate risks associated with the design, build and maintenance of the complete LRT system for the duration of the agreement.

- Develop a contractual instrument, the completion of which would coincide with the completion of the RFP process. The contractual negotiation stage would then be rapid and completely consistent with the RFP.
- Accomplish a contractual arrangement, for a fixed price, consistent with all of the above.

To encourage design innovation and know how, the entire complex RFP was performance based.

The project produced a timetable of key events during the procurement and overall the key dates were met – most of them achieved early – resulting in a degree of trust and confidence developing between each proponent. Often a successful timetable is achieved at the expense of the vendor community, but not in this case.

To ensure high quality, compliant responses, the City developed and enacted a consultative procurement model for the RFP process. Three companies bid and at the conclusion of the evaluation stage, all three were compliant – a tribute to the vendors, but made possible only by the collaborative “commercial in confidence” meetings held throughout the entire RFP process.

The constant proponent contact ensured that potential risk factors surfaced, were discussed and then apportioned to the party (whether City or proponent) best able to manage and mitigate the risk. City risks are limited to those of a catastrophic or unforeseen nature; proponent risks are related to those entirely within their control – schedule, design, construction, training, materials etc.

Assured that each compliant proponent was demonstrably able to deliver the project to the performance standards required, the

“commercial in confidence” meetings resulted in the best price becoming the dominant selection factor. Recognizing the probable scope and complexity of the resulting contract, contract construction proceeded in parallel with the RFP process and in a collaborative mode with each potential proponent. As a result, the contract negotiation and final contract (including all attachments and schedules) took only *one month* following selection of the preferred vendor. The contract, as awarded, was for an amount that was within 2 percent of the projected budget for the 15-year agreement and contained all of the risk safeguards necessary for a long term, high investment project.

Using a baseline developed from the final bid costs of each proponent, the City and the selected proponent proceeded with a value engineering exercise that reduced the costs and risks to the City and the proponent. The parallel contract development process enabled the value engineering to focus on effective project delivery and reduced risk and cost without becoming embroiled in the usual associated contractual issues.

The procurement was run within its budget and every aspect of the project was consistent with the procurement policy of the City of Ottawa, making the process transferable to any municipal organization. Additionally, the participant proponents have been consistently complimentary about the openness and fairness of the entire project.

Team members

Réjean Chartrand, Director, Economic Development and Strategic Projects; **Glen Ford**, Manager, Supply Management Division; **Daniel Farrell**, Senior Policy and Purchasing Officer; and **Barry Townsend**, Manager, Light Rail Implementation Division

ADVISORY GUIDE ON DEVELOPING PROCUREMENT BYLAWS

FINALIST • FED/PROV SECTOR

Ministry of Ontario Municipal Affairs and Housing

IN THE FALL OF 2002, a multi stakeholder working group within Ontario's Ministry of Municipal Affairs and Housing determined that the best way to assist Ontario's 445 diverse municipalities (a \$25 billion sector) to effectively implement legislative requirements (*Municipal Act, 2001*) and develop policies related to the procurement of goods and services – ultimately a purchasing bylaw, approved by an elected local council – was to develop a "Guide to Developing Procurement Bylaws." The guide would:

- draw from the best practices in procurement;
- incorporate modern public management principles, e.g., risk management;
- promote high standards of ethics and accountability; and
- reflect the perspectives of the various players in municipal procurement – suppliers, the council, the purchasing professional, the operating manager.

Ministry staff that authored the guide and a municipal representative from the working group then trained Municipal Services Office staff who have day-to-day contact with mu-

nicipalities. The guide has been positively received in Ontario and elsewhere. Commentators have cited it as a valuable way of promoting high standards of ethics and accountability. Ontario municipalities have indicated that the guide is straight-forward, well-written, and relevant to the needs of municipal staff in developing their bylaws. The various players in the municipal procurement process praised the process used by the ministry to develop the guide. Strong project management kept the project on time and on budget.

The consultative process used by the ministry brought together new external stakeholder groups not normally consulted by the ministry, on a topic (procurement) where there were clear differences in opinions and official positions. It helped the ministry's relationships with a range of sectors. The process included strong research and the transfer of knowledge from one discipline to another (risk assessment to procurement); strong stakeholder relations management; rapid analysis of highly relevant controversies (e.g., Union Station renovation inquiry,

Hamilton audit of street sweepers, Toronto audit of computer purchases) that arose as the guide was being developed and incorporation of the lessons learned into the procurement guide – a transferable concept, relevant to other areas of public management. In fact, when presenting issues to political leaders and senior management, risk management is viewed as a persuasive approach. The final product is seen as a true provincial-municipal-private sector partnership that supports municipalities and is sensitive to small business.

Working group members

- Ontario Municipal Affairs and Housing (Chaired and staffed the working group)
- Association of Municipalities of Ontario (AMO)
- Municipal Finance Officers Association (MFOA)
- Municipal procurement officials from the cities of Mississauga, London, Quinte West and Toronto, as well as Simcoe County and Halton Region
- Chief administrative officers from the cities of North Bay and Elliot Lake
- Ontario Chamber of Commerce
- Canadian Federation of Independent Business
- Ontario Management Board Secretariat

ELECTRICITY ACQUISITION PROGRAM

FINALIST • ACADEMIC SECTOR

Catholic School Board Services Association (CSBSA)

ONTARIO HAS 72 school boards (public, Catholic, French and English) that collectively and annually spend approximately \$20 billion. About 12 percent of that annual spend is for the purchase of goods, including utilities, and non-school board staff services.

Since 1999 CSBSA has involved various Ontario school boards in more than 25 different projects directed at the 12 percent of spend and ranging from photocopy paper to electricity acquisition, which have resulted in cost savings and avoidance (in excess of \$15 million) and improved efficiency. CSBSA has six Catholic, founding member boards (Dufferin-Peel, Surham, Halton, Simcoe Muskoka, Toronto and York), whose purchasing managers (all CPP or CPPO designated) coordinate the procurement processes related to

all CSBSA projects/initiatives. Other boards participate at their choice.

School boards use power during prime time and pay a premium price, particularly in the deregulated environment in Ontario. The Electricity Acquisition program first analyzed each of the founding member school board's power consumption and then, through an RFP, selected a consulting firm to help them prepare for the deregulation of Ontario Hydro. Their combined volume leveraged a considerable price discount.

Then in early summer 2004, through CSBSA's Electricity Program initiative (coordinated by CSBSA and working with Aegent Energy Consulting Inc.) 20 Ontario boards worked through an RFI, competitive bidding process to select a common electricity supplier. The participating boards entered into a

6-month contract with Coral Energy Inc., saving in excess of \$2.5 million. In 2005, the Electricity Program expanded to include an additional 23 boards. The accumulated savings for the 43 boards now exceeds \$12 million. These boards plus three additional boards are now entering another round of energy acquisition through competitive bidding.

In addition to cost savings/avoidance, the program provides other benefits to the school boards: effective networking, sharing best practices and access to expert third party advice. Boards are not forced to participate, but do so on a case by case basis when convinced of the benefits to itself of the collaborative and cooperative approach to purchasing developed by CSBSA.

Team members

Catholic District School Boards of: Dufferin-Peel, Surham, Halton, Simcoe Muskoka, Toronto and York

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