



# Exceptions to Full & Open Competition

How to ensure integrity

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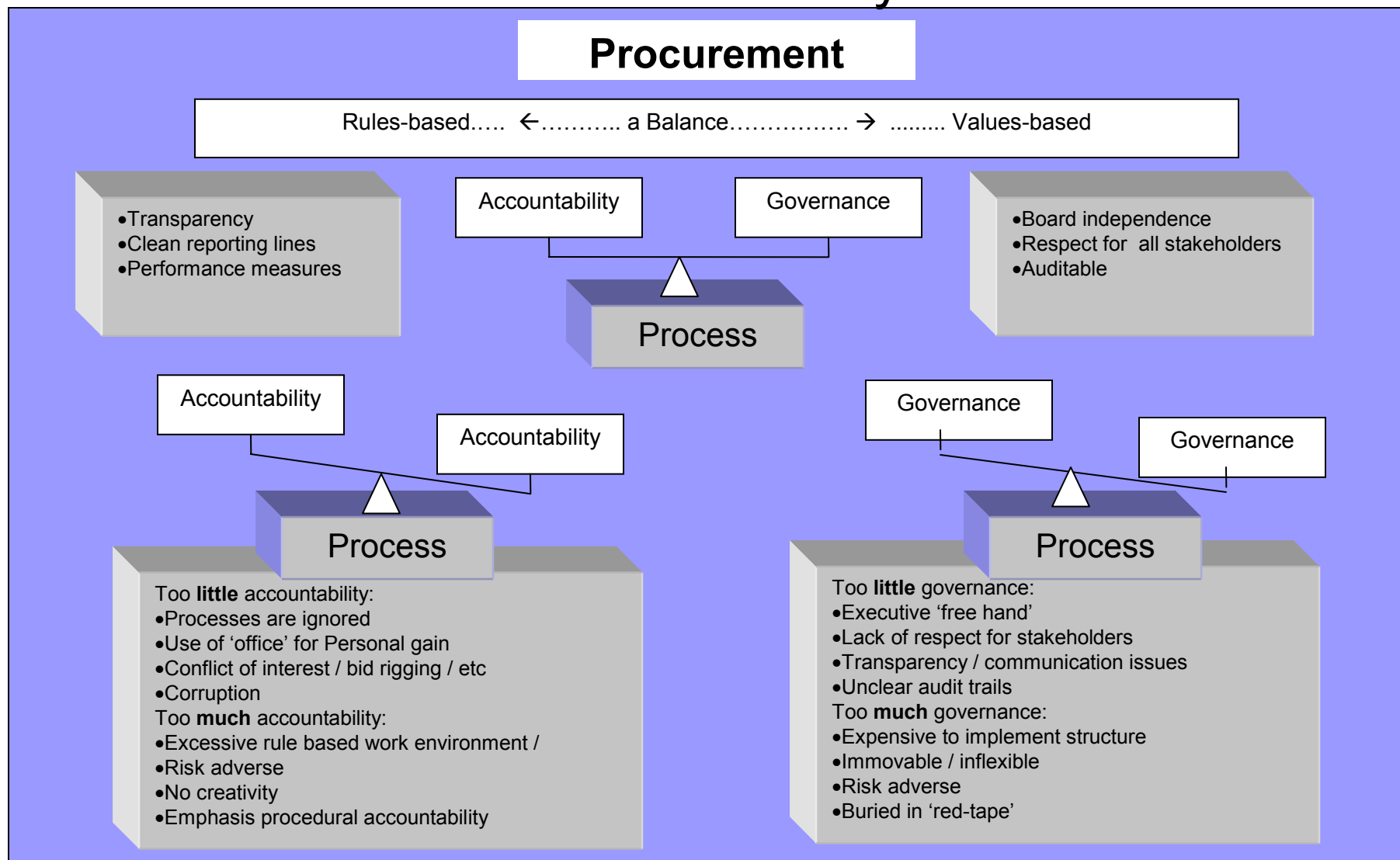
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France



# Abstract

- Values & codes are not enough to ensure the integrity of public procurement.
- There needs to be:
  - *Process*
  - *Accountability*
    - Transparency, clean reporting lines and performance measures
  - *Governance*
    - Executive independence, respect for all stakeholders and audit-ability
- And at the top.... *Leadership*.

# Governance and Accountability Framework





# BACKGROUND

- Since mid June 2006, Canada has witnessed \$17 B in military procurements by Prime Minister Harper. Evoking the National Security clause, Mr. Harper and the Department of National Defence have selected their operational priorities and gone shopping...



# \$17B

- Canada will compete the following procurements:
  - 2,300 Trucks
  - 3 Supply Transport Ships; to be built in Canada
- Canada will sole source the following procurements (maintenance in Canada):
  - 4 strategic (long haul, heavy load) aircraft -- BOEING's C-17s
  - 17 Tactical Airlift aircraft
- The national security caveat demands that the maintenance on these 'purchases' will be conducted in Canada, though development of the product may actually occur elsewhere, such as with BOEING's C-17s.



# What Next?

- Is this just a stage for catch-up?
- Will the government revert back to the rules of engagement (procurement) in future opportunities?
- Should they?



# WHAT SHOULD CANADA DO?

## ■ GOALS

- The Canadian Military wants to support efforts at home and abroad and reduce the risk of injury and death to our soldiers.
- The Crown wants to reduce the risk to taxpayers and other stakeholders

## ■ WHAT SHOULD CANADA DO?


- The Crown should (and will) continue to conduct sole source procurements
- They will use the Advanced Contract Award Notice (ACAN) to inform interested industry of the selection



# WHAT'S THE DIFFERENCE...

...between competing  
and sole sourcing...

<b>Compete</b>	<b>Sole Source</b>
Mandatories are Mandatories (T&Cs)	Mandatories are <u>not</u> mandatories;
Development Solutions	Existing Solutions (low program risk)
Futures	Expedited delivery (low schedule risk)
Risk to Taxpayers (management of developmental solutions )	Minimizes risk to taxpayers



# WHEN IS SOLE SOURCE APPLICABLE?

Sole source when:

- only one solution satisfies the performance requirements
- for national security reasons a solution needs to be secured immediately
- When a (risk) assessment of the cost to compete says that it doesn't make sense



# Example

- The Chinook is an existing tactical helicopter that is able to meet the performance requirements in Afghanistan (60 degrees C, high altitude thin air, 30 soldiers, etc.); the only existing one.
- One could claim that operational requirements could be competed for other possible solutions. But what? Build a tunnel? Drive further around the danger? Wait for the competition to develop another similar aircraft? This is not realistic.



# Cost

- Don't compete *just* to satisfy requirements of the procurement process.
- This is costly in many ways:
  - Cost to the businesses who compete in good faith only to discover that the 'bid' is rigged
  - Cost to Canadian Taxpayers
  - Cost to the people who work to develop the RFP and the Proposals (in credibility, morale)



# HOW IS THIS GOING TO WORK?

Canada will focus on **Transparency**:

- Tell them what we going to do
- Tell them how we're going to do it
- Tell them what we did
- And provide an option for bidder re-dress.

“... fair, open, transparent procurement...”



## WHO'S GOING TO WATCH OVER THE PROCUREMENT PROCESS?

- Federal Accountability Act
- Private Sector is the best monitor of the process;
- There is also:
  - the Canadian International Trade Tribunal,
  - Auditor General
  - Press / Media



# Conclusion

- Sole source when it makes sense
- Compete when it makes sense