

# Vendor Performance Management Program

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Industry Information Session

Alberta Infrastructure  
December 2019



# Program Objectives and Outcomes

- To support good performance by Vendors on Infrastructure contracts, while using Vendor past performance information to acquire goods, services or construction; improve transparency; promote innovation; and ensure best value.
- Supports the delivery of quality infrastructure projects on time, on budget, within scope and utilizing resources more efficiently.

Facilitate ongoing, regular communication with vendors, ensuring clarity of expectations and quality performance

Minimize the need for corrective measures due to poor performance

Provide incentives to vendors to improve their performance

Hold vendors accountable for poor performance or unacceptable behavior

Enable Alberta Infrastructure to provide objective vendor references

Enable better decision making on bidder selection through a centralized repository containing vendor past performance information

# VPM Program Overview



| Program Component                     | Details  | Industry Input  |
|---------------------------------------|--|---|
| 1. Thresholds and program application | <ul style="list-style-type: none"> <li>The VPM Program will be applied to any contracts at or above \$100,000.</li> <li>Applies to new procurements posted on or after January 6, 2020.</li> <li>Opt in and Opt-out discretionary provision provide some flexibility.</li> </ul> | <ul style="list-style-type: none"> <li>Industry provided the following input:                             <ul style="list-style-type: none"> <li>to have the VPM Program apply to all Alberta Infrastructure contracts;</li> <li>to develop thresholds that capture high risk and complex projects;</li> <li>to develop a risk matrix to include or exclude smaller projects; and</li> <li>preference for thresholds to be communicated and transparent.</li> </ul> </li> </ul> |



|                         | Alberta Infrastructure               | Alberta Transportation  | City of Ottawa  | Public Services and Procurement Canada | Infrastructure Ontario (IO)   | Defense Construction Canada              | City of Edmonton  |
|-------------------------|--------------------------------------|---|---|--|---|--|---|
| Application / Threshold | All contracts at or above \$100,000. | Prequalified consultants who complete work in six categories (e.g. grading, major functional planning, etc.) on contracts at or above \$75,000. | Consulting contracts \$15,000 and above.<br><br>Construction contracts \$100,000 and above. | All contracts \$100,000 and above.     | Major P3 projects where IO is defined as a co-sponsor, and has official governance role.<br><br>Real Estate program contracts over \$100,000. | All consultant and contractor contracts. | All design and construction related contracts.<br><br>(Program under review.) |

# VPM Program Overview



| Program Component       | Details   | Industry Input   |
|-------------------------|---|--|
| 2. Evaluation Frequency | <ul style="list-style-type: none"> <li>• Vendor performance is to be evaluated every six months.               <ul style="list-style-type: none"> <li>○ Vendor Performance Evaluation Results every 6 months and at contract close-out.</li> </ul> </li> <li>• For contracts that conclude before the six month evaluation.               <ul style="list-style-type: none"> <li>○ one <u>interim</u> and a <u>final</u> performance evaluation must be completed.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Industry suggested evaluation frequency be set at least once a year with an interim or 'real time' review, which is aligned with other jurisdiction's models and promotes two-way communication.</li> <li>• There was support for Alberta Transportation's model, which conducts performance evaluations every 6 months at set periods.</li> <li>• Shorter duration contracts have an interim evaluation to allow for course correction.</li> </ul> |



|                                     | Alberta Infrastructure                                       | Alberta Transportation                   | City of Ottawa   | Public Services and Procurement Canada                         | Infrastructure Ontario   | Defense Construction Canada              | City of Edmonton   |
|-------------------------------------|--|--|--|--|--|--|--|
| Frequency of Performance Evaluation | Every 6 months. If less than 6 months, 1 interim evaluation. | Every 6 months at set times in the year. | Under 6 months, final.<br><br>6 months to 1 year, 1 interim and 1 final.<br><br>Multi-year, 1 interim per year and a final.<br><br>Interim evaluations do not count. | Every 6 months. If less than 6 months only a final evaluation. | Real time reporting of infractions that feed into a monthly scorecard. | Once per year, with interim if required. | Milestones, once per year, or at the end of the contract. Interim evaluations can be requested.<br><br>(Program under review.) |



# VPM Program Overview

| Program Component                     | Details   | Industry Input  |
|---------------------------------------|---|---|
| 3. Performance Evaluation and Scoring | <ul style="list-style-type: none"> <li>For both Consultants and Contractors, five key indices will be evaluated: <u>Quality</u>, <u>Management</u>, <u>Schedule</u>, <u>Cost</u> and <u>Safety</u>.               <ul style="list-style-type: none"> <li>These apply differently to Consultants and Contractors</li> </ul> </li> <li>Key Performance Indicators are either rated on a 1-5 scale, or pass/fail.</li> <li>A Vendor's Interim and Final Performance Evaluation Results, from all contracts, contribute to a three-year rolling average, where current year results are given the most weight. The result of this calculation is an Overall Vendor Performance Rating.</li> </ul> | <ul style="list-style-type: none"> <li>Safety is of paramount importance to Industry and should be evaluated as an index.</li> <li>Issues outside of the vendor's control should be accounted for within the evaluation and would not impact the vendor's score.</li> <li>Look at simplifying the scoring methodology, the score needs to align with rating definitions.</li> <li>Scoring should be straightforward and clear, with identifiable service criteria, and within the capability of the reviewer to assess.</li> <li>Align program with ISO 9001 practices – monitor and measure – verifying characteristics against requirements.</li> </ul> |

# VPM Program Overview

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| Consultant               |           |
|--------------------------|-----------|
| Index                    | Weighting |
| Quality of Deliverables  | 20%       |
| Quality of Design/Safety | 20%       |
| Management               | 20%       |
| Schedule                 | 20%       |
| Cost                     | 20%       |

| Contractor |           |
|------------|-----------|
| Index      | Weighting |
| Quality    | 20%       |
| Safety     | 20%       |
| Management | 20%       |
| Schedule   | 20%       |
| Cost       | 20%       |



# VPM Program Overview

- Performance Evaluation and Scoring:

| Rating                                    | Definition   |
|---|--|
| <b>Exceptional (5)</b>                    | Vendor's performance greatly exceeds the expected performance        |
| <b>Surpassed (4)</b>                      | Vendor's performance exceeds the expected performance                |
| <b>Achieved (3)</b>                       | Vendor's performance meets the expected performance                  |
| <b>Moderate Improvement Needed (2)</b>    | Vendor's performance is below the expected performance               |
| <b>Significant Improvement Needed (1)</b> | Vendor's performance is significantly below the expected performance |
| <b>Not Applicable (N/A)</b>               | Not applicable to the contract or point in time evaluation           |

# VPM Program Overview



- Overall Vendor Performance Rating (OVPR)

## Overall Vendor Performance Rating

$$\frac{3(\text{average of year 3 scores}) + 2(\text{average of year 2 scores}) + 1(\text{average of year 1 scores})}{6}$$

Example of Overall Vendor Performance Rating with no year 2 scores

$$\begin{aligned} & \frac{3(2) + 1(4)}{4} \\ & = \frac{6+4}{4} \\ & = \frac{10}{4} \\ & = 2.5 \end{aligned}$$

**Contract 1**

|      |            |
|------|------------|
| KPIs | Quality    |
| KPIs | Management |
| KPIs | Schedule   |
| KPIs | Cost       |
| KPIs | Safety     |



**Interim Performance Evaluation Result 1**

|      |            |
|------|------------|
| KPIs | Quality    |
| KPIs | Management |
| KPIs | Schedule   |
| KPIs | Cost       |
| KPIs | Safety     |



**Interim Performance Evaluation Result 2**

|      |            |
|------|------------|
| KPIs | Quality    |
| KPIs | Management |
| KPIs | Schedule   |
| KPIs | Cost       |
| KPIs | Safety     |



**Final Performance Evaluation Result**

**Contract 2**

|      |            |
|------|------------|
| KPIs | Quality    |
| KPIs | Management |
| KPIs | Schedule   |
| KPIs | Cost       |
| KPIs | Safety     |



**Interim Performance Evaluation Result**

|      |            |
|------|------------|
| KPIs | Quality    |
| KPIs | Management |
| KPIs | Schedule   |
| KPIs | Cost       |
| KPIs | Safety     |



**Final Performance Evaluation Result**



**Overall Vendor Performance Rating**  
(for use in vendor's subsequent procurement evaluation)



|   | Alberta Infrastructure  | Alberta Transportation   | City of Ottawa   | Public Services and Procurement Canada  | Infrastructure Ontario  | Defense Construction Canada  | City of Edmonton  |
|---|---|--|--|---|---|--|---|
| Performance Evaluation Criteria and Key Performance Indicators (KPIs) | <p>Combination of qualitative KPIs measured by a performance scale, and pass/fail KPIs.</p> <p>Focuses on both good and poor performance.</p> | <p>Qualitative KPIs measured by a performance scale.</p> <p>Focuses on both good and poor performance.</p> | <p>Qualitative KPIs measured by a performance scale.</p> <p>Focuses on both good and poor performance.</p> | <p>Qualitative KPIs measured by a performance scale (in development).</p> <p>Focuses on both good and poor performance.</p> | <p>Pass/fail infractions.</p> <p>Focuses on poor performance.</p> | <p>Qualitative KPIs measured by a performance scale.</p> <p>Focuses on both good and poor performance.</p> | <p>Qualitative KPIs measured by a performance scale.</p> <p>Focuses on both good and poor performance.</p> <p>(Program under review.)</p> |

# VPM Program Overview



| Program Component                   | Details   | Industry Input   |
|-------------------------------------|---|--|
| 4. Past Performance and Procurement | <ul style="list-style-type: none"><li>• Past performance impacts the procurement selection process:<ul style="list-style-type: none"><li>○ Based on the vendor's Overall Vendor Performance Rating, an adjustment will be made to the procurement evaluation final score, or submitted bid price.</li></ul></li></ul> | <ul style="list-style-type: none"><li>• All participants are in favor of past performance impacting future procurement selection.</li><li>• The Overall Vendor Performance Rating, used in procurement, should be used on comparable projects.</li></ul> |

# VPM Program Overview

## Past Performance and Procurement

- An adjustment will be applied to the procurement evaluation final score (value-based) or total price (bid, tender) to allow past performance history to have an impact on selection.
  - Value-based – up to a plus or minus 10 per cent adjustment
  - Price-only – up to a plus or minus 5 per cent adjustment

| Value-based procurements           |  | Price only procurements            |  |
|------------------------------------|--|------------------------------------|--|
| Overall Vendor Performance Rating* | Multiplier used to adjust final procurement evaluation score | Overall Vendor Performance Rating* | Multiplier used to adjust final procurement evaluation score |
| 5                                  | 1.10   | 5                                  | 0.950  |
| 4                                  | 1.05   | 4                                  | 0.975  |
| 3                                  | 1.00   | 3                                  | 1.000  |
| 2                                  | 0.95   | 2                                  | 1.025  |
| 1                                  | 0.90   | 1                                  | 1.050  |
| No performance history             | -  | No performance history             | -  |

\*whole numbers used for example purposes only

Value-based  
Adjusted Score =  
Total of Qualification & Fee Scores  
x [ 1 + 0.10 x (OVPR – 3) / 2 ]

Price-based  
Adjusted Price =  
Bid Amount  
x [ 1 + 0.05 x (OVPR – 3) / 2 ]



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|--|--|--|---|--|--|-----------------------------|---|
| Past Performance Considered in Procurement Selection | <p><b>Yes</b></p> <p>+/-10% adjustment to final score in value-based procurement evaluation;</p> <p>+/-5% adjustment to price in tender/stipulated price bid evaluation.</p> | <p><b>Yes</b></p> <p>30% of procurement evaluation in RFP stage after pre-qualification.</p> | <p><b>Yes</b></p> <p>No impact at implementation (2015).</p> <p>Construction – phased in to procurement evaluation</p> <ul style="list-style-type: none"> <li>- In 2018: 10%</li> <li>- In 2019: 20%</li> </ul> <p>Consultant Design/Contract Admin:</p> <ul style="list-style-type: none"> <li>- 2 stage, 10% of technical weighting at RFQ stage</li> <li>- 1 stage, 4% of technical weighting</li> </ul> | <p><b>Yes</b></p> <p>5% - 25% of procurement evaluation.</p> | <p><b>Yes</b></p> <p>Each infraction is valid for 24 months. Uses a statistical model where # of infractions affects ranking in an RFQ, or can result in failing the prequalification.</p> | <p><b>No</b></p>            | <p><b>No</b></p> <p>(Program under review. Moving to a model where past performance is considered in future procurement section.)</p> |

# VPM Program Overview

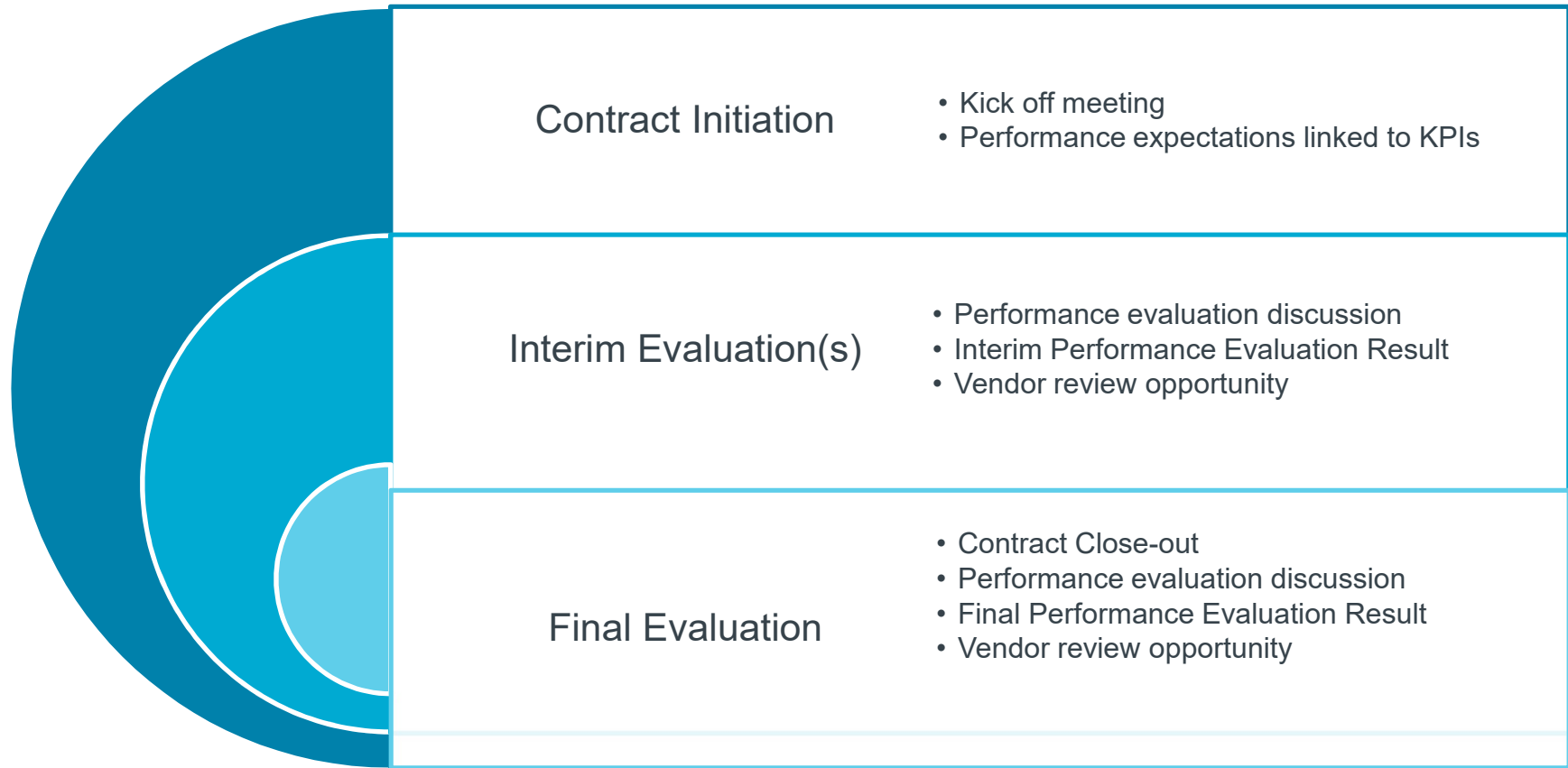


| Program Component | Details  | Industry Input  |
|-------------------|--|---|
| 5. Review Process | <ul style="list-style-type: none"> <li>The vendor may request, in writing, a review of the results within 10 days of notification.</li> <li>The score under review will not be considered as part of the vendor’s Overall Vendor Performance Rating until a final decision is issued by the Vendor Performance Committee.</li> <li>Infrastructure will make every effort to issue a decision within 30 days of receipt of the review request.</li> </ul> | <ul style="list-style-type: none"> <li>The review process needs to be conducted by a senior level participant who has the seniority to assess the full variety of conditions bearing on any one issue.</li> <li>The review process should be efficient; decision-making is not going to slow the process down.</li> </ul> |





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|--|--|--|---|--|--|---|--|
| <b>Review Process and decision level</b> | <p><b>Yes</b></p> <p>Vendor Performance Committee, ED level.</p> | <p><b>Yes</b></p> <p>Opportunity for two appeals:</p> <p>First decision is made by ED or Regional Director for project delivery area.</p> <p>Second decision is made by ED, Strategic Procurement.</p> | <p><b>Yes</b></p> <p>Level of management decision is determined based on complexity of project.</p> | <p><b>Yes</b></p> <p>Level 1, PSPC Vendor Performance Senior Management Committee.</p> <p>Level 2, Independent Appeals Organization (TBD).</p> | <p><b>No</b></p> <p>Only considered for administrative errors.</p> | <p><b>Yes</b></p> <p>National Service Line Leader, Contract Management reviews and makes decisions on appeals of suspensions.</p> | <p><b>Yes</b></p> <p>Vendor appears in person to provide their case before a referee.</p> <p>Referee's decision is final.</p> <p>(Program under review.)</p> |



# VPM Program Overview



| Program Component                            | Details   | Industry Input   |
|--|---|--|
| <p>6. Corrective Measures and Suspension</p> | <ul style="list-style-type: none"> <li>• The Corrective Measure and Suspension Process is triggered by inadequate performance evaluation results as measured by the VPM Program.</li> <li>• A warning letter is issued. If performance does not improve, suspension of bidding privileges for 18 months can result.</li> <li>• A second suspension of the same vendor can result in a 3 year suspension of bidding privileges.</li> </ul> | <ul style="list-style-type: none"> <li>• Consider short duration contracts to be included under the corrective measure and suspension process.</li> <li>• Aligns to ISO 9001 - taking corrective action when things are going wrong to address root causes.</li> <li>• Vendor completes the Corrective Action Plan.</li> </ul> |



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|--|---|---|---|---|------------------------|---|---------------------------------------|
| <b>Suspension from bidding on future contracts</b> | <b>Yes</b><br>Corrective Measures and Suspension element. | <b>No</b><br>(Exploring opportunities.) | <b>No</b> , but the city can reject a bid based on past poor performance. | <b>Yes</b><br>Corrective Measures and Suspension element. | <b>No</b>              | <b>Yes</b><br>A final score of less than 30%; or a point score of 5 or less is received in any single category will result in suspension of bidding privileges. | <b>Yes</b><br>(Program under review.) |

# VPM Program Overview



| Program Component  | Details  | Industry Input  |
|--------------------|--|---|
| 7. Vendor Feedback | <ul style="list-style-type: none"> <li>• Self-assessment – Vendors have the option to complete a self assessment using the performance evaluation form as part of Performance Evaluations. These scores will not be counted, but can form a basis for discussion.</li> <li>• Survey – Vendors have the option to complete a survey at milestone intervals throughout the contract duration, providing feedback to Infrastructure and informing improvement opportunities and lessons learned.</li> </ul> | <ul style="list-style-type: none"> <li>• Industry requested the opportunity to score themselves.</li> <li>• Industry is interested in a 360 degree element, where they are able to provide feedback to Infrastructure.</li> </ul> |



|                   | Alberta Infrastructure                                   | Alberta Transportation                                    | City of Ottawa  | Public Services and Procurement Canada                           | Infrastructure Ontario | Defense Construction Canada | City of Edmonton                     |
|-------------------|--|---|---|--|------------------------|-----------------------------|--------------------------------------|
| <b>360 Review</b> | <b>Yes</b><br>Self-assessment and Vendor Feedback Survey | <b>No</b> , but vendor can self-assess their performance. | <b>No</b> , but program promotes two-way communication. | <b>No</b> , but exploring options such as two-way communication. | <b>No</b>              | <b>No</b>                   | <b>No</b><br>(Program under review.) |

# VPM Program Overview



| Program Component | Details   | Industry Input   |
|-------------------|---|--|
| 8. References     | <ul style="list-style-type: none"> <li>Alberta Infrastructure will provide a performance-based reference, upon request, for a vendor's completed contracted work, if the vendor's contract was subject to the VPM Program.</li> </ul> | <ul style="list-style-type: none"> <li>Industry expressed that Infrastructure requires references but Infrastructure references are not available.               <ul style="list-style-type: none"> <li>Based on feedback, policy has been updated to allow Infrastructure to provide references in alignment with the VPM Program.</li> </ul> </li> </ul> |

# Questions?

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Alberta