

From: "Michael Appleton"

To: Jerome Thauvette

Date: Friday, June 9, 2006

Subject: IPS New Method of Supply - CAMC comment on meeting held June 6 2006

Jerome,

We very much appreciate you hosting the meeting on Tuesday for Industry Associations about the IPS New Method of Supply. At the same time I must advise you of our grave concerns about the details of the IPS New Method of Supply that were presented.

I do not think that it is appropriate to get into the detail in this email. I would be happy to meet with you to do so when it is convenient for you. However, I do want to raise some broad, major concerns as soon as possible.

First, a fundamental of supply chain management is maintaining effective relationships throughout the supply chain - in other words, the federal government should work closely and effectively with its suppliers. I feel strongly that this relationship suffered a severe blow on Tuesday. Industry Associations have been working with you for more than 18 months and, less than 3 weeks before the potential release of the RFP for the IPS New Method of Supply, there was a simple announcement of a major shift in procurement strategy that was made without consultation with those Industry Associations. Confidence in the relationship has, I believe, been damaged.

The rationale for the strategy shift apparently stemmed from an analysis of examples where strategic sourcing has been successfully implemented elsewhere. Yet, when asked what these examples were, there was an unwillingness to share these examples with the group. If these examples are from the private sector, then I suggest that apples are being compared with oranges. If, however, these examples are from the government sector, then they should be a matter of public record and can be easily shared with the group. As such, I strongly suggest that examples be provided where this strategy has been implemented successfully in a government context for the acquisition of professional services. This confidence building measure is greatly needed to repair the damaged relationship with Industry Associations.

Second, the message that is being sent to industry is clear: price rules! In the vendor selection process, there appears to be one step for technical qualification and four steps for price qualification (initial price, e-auction, negotiation and task proposals). Of course, this strategy can be applied effectively to gasoline, pencils, printing paper, etc. as these represent products for which detailed specifications can be written.

The same simply cannot be said for professional services - one cannot write a detailed specification for a management consultant such that they all are the same! Some at the meeting attempted to describe this argument; however, they apparently did so without any success. Let me put it this way: do you want a project manager at the lowest cost to administer the project throughout its life cycle or do you want a project manager to deliver the project on time and on budget, thereby potentially saving the Crown millions of dollars? In other words, the concept of

'value' is apparently absent from the IPS New Method of Supply. If only price rules, as the announced model suggests, I fear that mediocrity will result ... and I am most concerned, not only as a representative of Canada's association for the management consulting profession, but also as a citizen.

Third, and perhaps my greatest fear concerning the proposed strategy for the IPS New Method of Supply, is that this could very well lead to the destruction of the IPS industry in Ottawa. The flight of talented practitioners from the federal arena is a very real threat that can only be ignored at your peril. Truly strategic thinking is needed.

Therefore, I strongly suggest the following:

1. that this RFP for the IPS New Method of Supply not be released as planned on 29 June.
2. that a sound, valid and comprehensive strategy for this procurement be formulated based on thorough and open analysis, and with full consultation with all relevant stakeholders - take the time to get it right!
3. that the concept of 'value' be paramount in the strategy that results.

I would also like to remind you that CAMC is a professional association, not an association of vendors. As such, our comments and suggestions are aimed at achieving the very best in professional management consulting services that are provided to the Government of Canada, regardless of which vendor provides those services. That is why we have, since the beginning of the procurement reform initiative, strongly encouraged professionalism in how these services are procured, professionalism in those who provide these services and professionalism in how those services are, in the end, provided.

As such, I am very encouraged by the inclusion of the requirement for professional certification (i.e. CMC) for the senior level consultants in the Business Services categories. I am equally encouraged with the letter published last week by the Minister of Public Works and Government Services Canada where he noted the plan for accreditation of procurement officers. These steps are very good for our nation. I congratulate you on these measures.

However, I am deeply concerned about those aspects of the proposed procurement presented at Tuesday's meeting that are highlighted above. What you are doing is incredibly important for our nation, and we must get this right the first time. The consequences of getting it wrong are most severe.

I am, of course, readily available to meet with you to discuss details at your convenience. I also have other, more detailed comments and suggestions.

Kindest regards,

Mike

Michael Appleton, FCMC, PMP
Managing Director

Tel: (613) 748-0547

Fax: (613) 748-1908

Email: mappleton@dama-consult.com