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- **NWS (North Warning System) Engagement Close-out**
- We manage O&M of a chain of 47 radars stretching from Labrador to Yukon. We do almost all of this work through a contractor, valued at nearly \$900 million over ten years.
- This work is of great importance to the Northern economy. The contract will end in March 2014.

Purpose of Meeting

- Canada to complete the engagement with treaty partners of the North Warning System Operations & Maintenance procurement process
- To communicate how Canada has factored the information received from treaty partners into the Aboriginal Benefits Package
- The huge impact of this work combined with the fact that many of our radar sites lie on Treaty land made it essential that we engage with the land claims agreements before letting a new contract.

How LCA Considerations affected the Aboriginal Package

- The focus of the early meetings was to listen to the LCAs' concerns and reflect them back to ensure I had them right. An example: "The following cites word-for-word the Inuit concerns that the Government of Canada reflected back to you at our meeting on 17 Sep 2012; and responds to each of your concerns with the ways we have been able to accommodate or adapt to your concerns."

Joint Venture

- Treaty partner view:
 - We need to build on what has been accomplished through the Joint Venture (Nasittuq)
 - The Joint Venture best accomplishes objectives of Canada and Inuit
 - Benefits should be based on same Pan-Arctic approach used for over 15 years
- GoC cannot dictate the profile of the bidder and must leave it to industry to organize itself:
 - Instead, the AB Package was designed to deliver a comparable level of net benefit to Inuit
 - AB package directs bidders to work with the Inuvialuit, Nunatsiavut and the Inuit of Nunavut, and preserves the Pan-Arctic approach in employment and sub-contracting
- The GoC is willing to meet LCAs on regular basis to review and discuss AB performance.
- The old contract had been awarded to a company half owned by Inuit interests and had made a lot of progress in Inuit benefits.
- This was a big issue we had to address right up front.
- Rather than debating the relative merits of simply re-awarding the contract to the incumbent, I approached it from a benefits perspective: What do YOU get from the existing contract?
- Then we ensured that there was no reduction in the net benefits, even if the new contractor is not even partially Inuit-owned.

Existing Contract

- Treaty partner view: Existing contract meets broad objectives of treaties by achieving Inuit participation in Northern economy and Canadian society and promoting self-reliance and long-term, sustained improvements for Inuit society and beneficiaries.

- To ensure maximum achievable AB are attained:
 - Mandatory minimum levels of AB are set at what was achieved in the final years of the current contract
 - ☞ Note: using a new calculation method, that, for example, excludes Makivik
 - Contractor will be expected to aggressively grow AB achievements
 - ☞ Incentive is way to motivate and reward
 - Inuit employment will be measured by salary, not numbers of people
 - AB credit for subcontractors will be based on actual Northern benefits
 - ☞ Rather than mere Inuit ownership
- From the outset everything had a common theme of building on what had been accomplished under the old contract.
- Chief component was the percentage of contract value that would be Inuit benefit.
- We calculated the final achievements of old contract, set this as minimum mandatory, and set an expectation that the benefit would grow with time.
- Some of the innovative changes we included:
 - Employment target measured by total salary, not body count
 - Reuse LCA lists of Inuit-owned companies

Inuit Equity

- Treaty partner view is that Inuit equity:
 - Enables Inuit to have role in corporate leadership
 - Increases opportunities to structure decision-making
 - Provides capacity development to support long term success for Inuit
 - Allows for investment of equity funds in important programs and services to communities and Inuit across the regions
 - For all regions is important
- GoC response:
 - It's not possible to mandate Inuit representation on the Board of Directors without restricting open competition; nor is Canada able to direct how privately or publicly held companies set up their governance structure
 - However, GoC has carefully considered the allocation of points among the various areas being evaluated to ensure that the contract is awarded to the most capable bidder (both technical and AB) offering best value
 - Incentives are built into the procurement to reward excellence in Inuit benefits, including equity
 - ☞ If there are Inuit equity earnings, they will be counted in AB computations which may count towards the annual Performance Incentive Fee (PIF)
 - If the contractor fails to achieve the requisite AB targets, there is a requirement for the contractor to provide a plan, for approval by GoC, as to how it will rectify that shortfall.
 - ☞ One stated option is to direct funds to Inuit programs, in an amount to overcome the shortfall.
 - ☞ If fail to meet AB, Contractor is not eligible for any AB PIF and will incur reductions to other PIFs

Contract Decision Process

- Treaty partner view:
 - Decision-making process for new contract should be transparent and include our treaty partners to the extent possible
- GoC has engaged with the affected LCAs to the fullest extent possible:
 - To ensure LCA concerns are considered
 - To adhere to the spirit of the CLCAs
 - To build on a relationship of mutual trust and respect
- Another Inuit concern was transparency in the consultation process, which I believe I achieved.

HR and Training

- Treaty partner view:
 - Human resource aspects achieved under current arrangement are as significant as equity benefits
 - Training and development programs under contract provide opportunities for Inuit to develop skills required for employment opportunities within government and other industries including long-term permanent positions
- The AB Package addresses these concerns by:
 - Continuing virtually every HR program and target in the current contract
 - Setting aside up to \$2M for training and development
 - Setting an aggressive employment target for full-time employees
 - Enhancing prior levels by training and assisting Inuit companies to prepare successful bids on subcontracts
 - ☞ Will grow Inuit business
- I believe the foremost Inuit concern was training and job creation. So we decided to continue virtually every aspect of the legacy contract in this area:
 - A generous training budget
 - Aggressive employment targets and
 - A new program to assist Inuit companies
 - ☞ To bid on Government contracts

Overall Message

- Treaty partner view: Overall message to Canada was “Let’s continue to build on successes of current contract.”
- GoC will continue the positive momentum. The AB Package for the new contract will:
 - Set mandatory minimum levels of AB at what was achieved in the final years of the current contract
 - ☞ Note: using a new calculation method, that, for example, excludes Makivik
 - Provide incentives for further growth of AB achievements in employment, training, management development and subcontracting
- The Inuit reps I engaged with were happy with the current arrangement and concerned that a renewed contract might destroy some of the great accomplishments.
- So the entire focus of designing the Inuit Benefits package was to preserve the achievements and provide incentives to further expand them.

The Way Ahead

- Send Letter of Interest to LCAs, providing advance notice of impending Draft Request for Proposal
- Post Draft Request for Proposal
- Engage with Industry
 - Meetings and Working Groups
- Issue final Request for Proposal
 - Bid evaluation
- Treasury Board approval