Commodity Management:

The CCTV case study

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Overview

1. Definition of terms
2. Commodity Management Model: Advantages/ Challenges
3. STAR (**S**ituation/**T**ask/**A**ccomplishments/**R**esults)
4. Lessons Learned
5. Questions/Discussion

Definition of terms

1. Centralization Model:
   - Requests subject to advance approval (usually CFO) on a case by case basis
   - Requests (usually) routed through Contracting
   - **Goals**: to **prioritize spend**, to **ensure cost control**
2. Commodity Management Model:
   – Innovative* approach to life-cycle asset management, enabled by Procurement
   – Requests subject to evidence of commodity actively being *managed* before any procurement action is undertaken
   – **Goals**:
     - **Holistic approach to procurement**
     - **Long-term planning**
     - **Efficiency**

* believe it or not

Commodity Management Model

- Under this innovative procurement model:
  - **Cost Centre Managers** continue to identify their needs
  - **Appointed National Commodity Managers** coordinate these investments and are responsible for national oversight of the equipment and/or items under their area of expertise
  - **Contracting** is responsible for executing procurement actions in a strategic manner and coordinating strategic procurement plans for action
  - **Contracting requests are subject to advance approval** by the respective Commodity Managers
  - **Long-term needs are addressed in a holistic manner**, *outside the usual government budgetary cycle pressures**

** This time: very innovative indeed…*

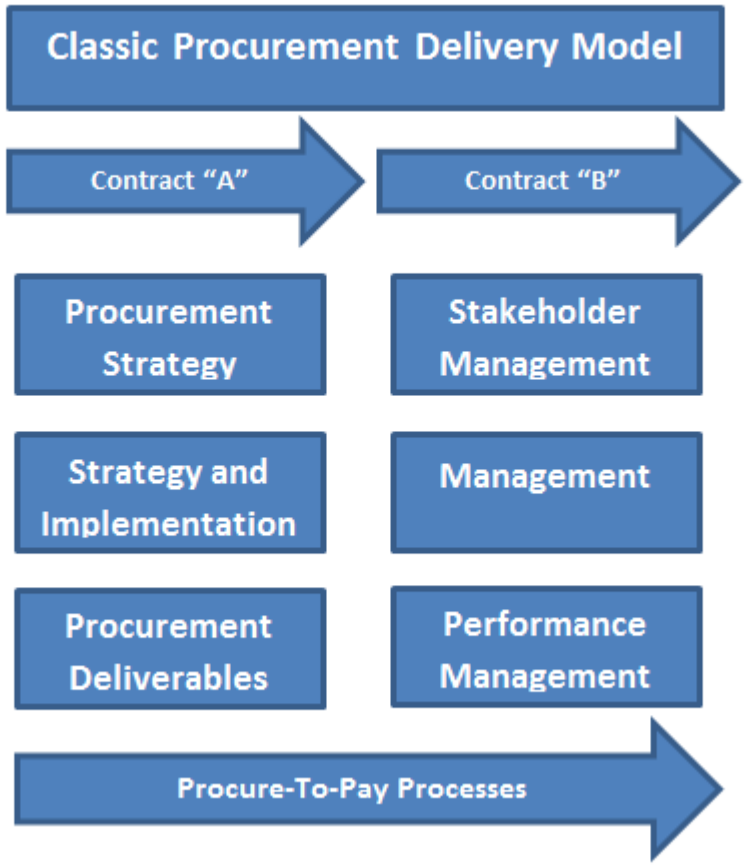
Commodity Management Model

- The **two main drivers** for this are to seek and obtain:
  - Advance approval based on life-cycle asset management plans (LAMP) and intimate knowledge of commodity
  - Advance approval linked with operational objectives as set out in the departmental planning exercise as well as with sound program, initiatives and funds management, in support of the Management Accountability Framework (MAF)
- This innovative procurement Model requires the identification of a designated *Commodity Manager*
  - Commodity Manager may be a collective, forum or specific group, individual or team

Classic Transactional Procurement Model

Drivers

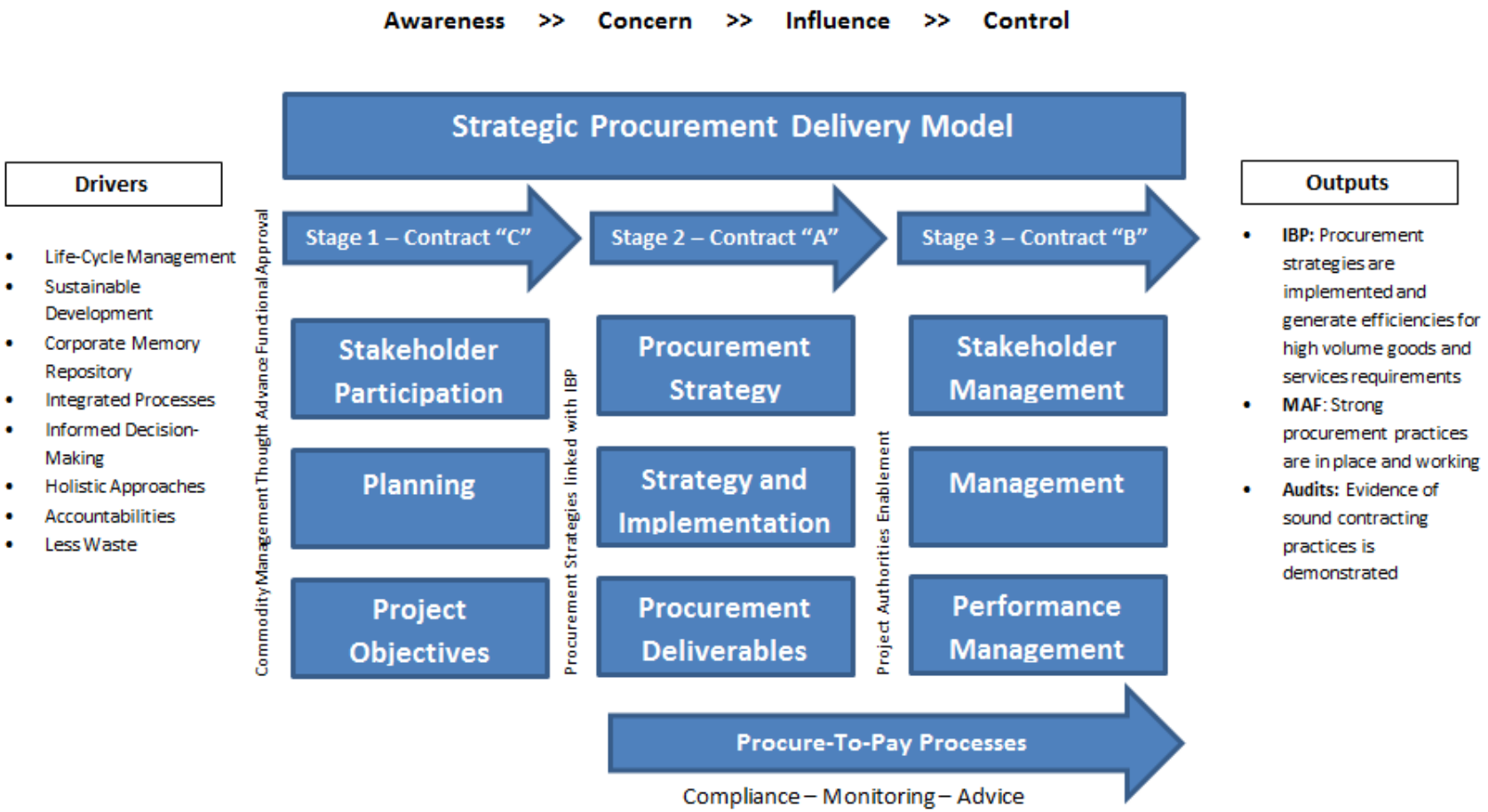
- Client service
- Pre-eminence of operational requirements



Outputs

- Volume of contracts
- End of fiscal year spend
- Immediate needs fulfilled

Commodity Management Procurement Model



Commodity Management Model: Advantages

- Quality input
- Quality output
- Measurable results and outcome
- Efficiency throughout
- Sustainability
- Shared success
- Positions Procurement as a key contributing business partner
- Renders information available to all key stakeholders (no silos)

Commodity Management Model: Challenges

- The task of identifying a designated Commodity Manager can be a lengthy process
- Qualified personnel/expertise
- Buy-in from all stakeholders
- A new understanding of Roles and Responsibilities
- A lot of unrewarding work up-front (no instant gratification)
- A dedicated time investment from all stakeholders
- Coordination and ongoing communications
- Thoughtful effort and thoroughness
- IT infrastructure (e.g. database)
- Chain only as strong as its weakest link
- Is a change of culture

Case study: CCTVs - *STAR*: Situation/Task/ Actions/Results

- Summer 2016: Freeze and centralization of CCTV contracting
- Limited holistic, national oversight and coordination of those commodities
- Procurement tasked with centralizing those purchases
- Decision to centralize made prior to process being defined
- Resistance to change
- Leadership of initiative tasked to Procurement for results, due to multiple stakeholders

Case study: CCTVs - STAR: Situation/Task/ Actions/Results

- Contracting (Policy and Operations) identified potential stakeholders and began informal consultation
- Key findings of those initial consultations: Complexity in CCTV buys is **multifaceted**, for example:

1) Port of entry (POE) lifecycle state and physical infrastructure readiness

2) Availability of funding vs. construction season

3) Replacement vs. net new purchases

4) Section 6 of *Customs Act* implications

5) Standing offer procurement, PSPC procurement or outsourcing to owner-operator (O/O)

6) Capital asset recording, tracking and lifecycle management

1- Port of entry (POE) lifecycle state and physical infrastructure readiness

- The CBSA manages 117 land-border crossings and operates at 13 international airports
- Sixty-one land-border crossings and 10 international airports operate on a 24/7 basis
- Some of these locations are remote
- Some POEs are nearing the end of useful lifecycle and therefore, whether a CCTV investment makes sense for the POE in question must be considered

2- Availability of funding vs. construction season

- In most locations, the construction season is from April to November
- Outside cameras not mounted directly on POEs will typically require in ground work in order to install conduits to run cabling
- If funding only known in Q2, it becomes very challenging to design the project, proceed with physical infrastructure work (compounded with 24/7 PoE), run the competitive process and have the project completed within that FY…

3- Replacement vs. net new buys

- If net new purchases, it is possible to proceed with design in accordance with the Agency's Design Guide to CCTV
- If partial replacement, assessment of quality of existing system must be undertaken and decision as to whether replacing the entire system would be a better long term investment needs to be made
- Need to factor in operational requirements as well

4- Procurement: O/O, SO or PSPC?

- When a CCTV requirement occurs in a Section 6 legislated facility, PSPC and CBSA have an MOU whereby PSPC will contract with the O/O, if the O/O wishes to manage the project
- A specific CCTV standing offer (SO) can be leveraged for projects under $250K, which accommodates the smaller POEs or partial replacements
- When the project is over 250k and the O/O does not want to manage the project, CBSA will work with PSPC to run a competitive process
- **TIP**: Don't forget to factor in time for site visits

5- Capital asset recording, tracking and lifecycle management

- Strong relationship with the MM specialist is key to ensure that CCTV procurements will be captured properly as capital assets
- In addition to meeting financial requirements, over time this practice will allow the CBSA to build a reliable inventory
- Access to inventory and lifecycle stage is key in order to facilitate planning of upcoming requirements and in order to properly identify resource requirement, both financially and from an HR standpoint

Case study: CCTVs - STAR: Situation/Task/ Actions/Results

- At the CBSA, Security, Programs, Ops, the Lab, Infrastructure and Occupational Health and Safety have a role to play *collectively*
- In response, Strategic Procurement and Materiel Management Division (SPMMD) established the **CCTV Investment Board** (CCTV IB) as the de-facto Commodity Manager, responsible for establishing protocols for advance approvals, based on:
  - Inventory
  - Life-cycle considerations
  - Technical specifications
  - Health and safety aspects
  - Operational need
  - Program + policy requirements
  - Threat/Risk analysis
- The CCTV IB is currently a sub-Committee of the **Real Property Investment Board** (RPIB), whose function is to approve funding for large projects and initiatives.

Case study: CCTVs - STAR: Situation/Task/ Actions/Results

- The **CCTV IB** is responsible to decide, in conjunction with SPMMD:
  - How to prioritize CCTV requests
  - What to buy (what, where, when, how many, etc.)
  - How to track inventory so as to ensure corporate memory is retained
- Once source of funds is identified, **Contracting**'s role is to undertake the procurement action based on advance approvals obtained by the **CCTV IB**
  - This structure enables commodity management of CCTVs to occur, thus creating efficiencies throughout
  - It also makes for a sustainable way to ensure strategic procurement as well as retention of corporate knowledge

Case study: CCTVs - STAR: Situation/Task/ Actions/Results

- The main results achieved through the work undertaken as part of this initiative have been:
  - Agency-wide oversight of commodity now deemed key to our business
  - The need to manage CCTVs in a holistic manner through commodity management has been acknowledged by stakeholders
  - There's been a realization that, especially when it comes to CCTVs, there are a number of interrelated issues and considerations that make this a very complex commodity
  - The establishment of the overarching Procurement Model has marked a first step in setting up a blueprint for commodity management of other commodities
  - Contracting's profile and leadership in this endeavour has helped reposition its function as a key player within the Agency
  - A number of CCTV projects have been approved on a much more solid, strategic foundation

Lessons Learned

- Benefits of holding a central fund from a strategic standpoint are not to be underestimated, as communications will flow that way
- Senior management support is key
- The earlier the process is formalized the better
- Communication with key stakeholders at all levels is crucial
- Need senior management and procurement staff that can think outside the box and are comfortable stepping outside Procurement's traditional role

Questions/Discussion