

# Shared Services Canada

## Challenge-Based Solicitation (CBS)

For

### IaaS and Native PaaS

## What We Heard Report for Vendors

Solicitation No.	CS-IAAS-2024	Date	2024-04-13
Where We Heard	Initial webinar, questionnaire, email, and Mural		
When We Heard	February 16 - 26, 2024		

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## Introduction

Shared Services Canada (SSC) has launched an [Agile Procurement Process \(APP3.0\)](#) to continuously improve the procurement of IT goods and services for the Government of Canada. The design of the most effective procurement vehicles implies a strong collaboration and engagement model with internal and private sector experts. Throughout this process, SSC actively seeks vendors feedback to refine procurement elements, as needed.

SSC is committed to being receptive to suggestions from Industry and to providing transparent reporting on how Industry feedback is addressed. The purpose of the Invitation to Refine (ItR) Wave 1 is to help Canada finalize the Prequalification Challenge-Based Solicitation (CBS). The ItR Wave 1 marks the initial phase of Industry feedback on the process and documents related to the procurement of IaaS-Native PaaS Services for the Government of Canada.

Through various channels such as the webinar, the Mural platform, emails and the questionnaire, Canada invited vendors to identify areas of the process and content that were unclear or perceived as unfair. SSC received a substantial amount of written feedback and thoroughly considered the responses while revising the prequalification and other criteria. The following report provides a summary of Industry's questions and comments, along with Canada's response to what was heard.

## A. Context

### 1. Linkage Between the GC Strategy and the IaaS Native PaaS Solicitation

#### *What we Heard:*

Industry is not clearly establishing the link between the new hosting strategy and the problem statement and outcomes presented in the solicitation.

#### *SSC Response and Actions:*

The GC is modernizing its Application Hosting Strategy (formerly known as [Cloud strategy](#), to enhance scalability, optimize performance and capacity to adapt to new technologies. The IaaS and Native PaaS procurement will enable the GC to consolidate all IaaS and Native PaaS requirements across all departments and agencies, effectively reducing bureaucratic and technical complexities associated with managing many suppliers. Resulting contracts will provide the long-term stability necessary to sustain government programs without the need for costly and disruptive migrations. This approach also leverages economies of scale, ensuring the Crown receives the best value for these services.

SSC is at the primary stage of designing the first solicitation (IaaS and Native PaaS) of the new generation of vehicles that will form the GC cloud ecosystem. The SSC Cloud procurement team will continue discussions with the Treasury Board Secretariat (TBS), various departments, SSC technical teams and prequalified bidders to continuously refine the requirements.

## 2. Current Framework Agreements

### *What we Heard:*

The industry does not fully understand why the GC needs to move away from the current Framework Agreements (FA). There is a perception that the FA per se is not the problem to be resolved by this solicitation.

### *SSC Response and Actions:*

The FA includes multiple limitations. For example, the obligation to compete requirements at the department level, limiting Canada's capacity to get best pricing.

The FA and this solicitation are two independent procurement vehicles. While lessons learned from the first inform the development of the second, the IaaS procurement vehicle is adopting an agile approach so that the resulting contracts produce better outcomes. Canada is developing a strategy to gradually transition from the FA to the GC Cloud Ecosystem.

The terms and conditions of the FA are being leveraged as a basis for this IaaS Native-PaaS procurement vehicle and will be the object of an Invitation to Refine with the prequalified vendors during the next stages.

## 3. Competitiveness and Number of Vendors

### *What we Heard:*

Vendors expressed concerns that this solicitation will restrict competition because only 2-3 vendors will be awarded contracts under the IaaS and Native PaaS solicitation.

### *SSC Response and Actions:*

In many competitive procurement processes, the Government of Canada is awarding one contract. For this IaaS and Native PaaS solicitation, Canada expects to award two or three contracts. In establishing the number of selected vendors, Canada must balance the diversity of providers with the costs of maintaining multiple cloud environments.

The decision to select two or three vendors under the IaaS and Native PaaS solicitation is informed by the necessity to put in place an ecosystem of contracts that optimizes performance for Canada and ensure best value for taxpayers. The IaaS and Native PaaS solicitation is only one of the procurement vehicles that will be put in place in the new ecosystem; other new procurement vehicles will be put in place for other cloud services offering.

Capping the number of resulting contracts does not aim to limit competition, it is aiming to optimize the procurement ecosystem.

To ensure the fairness of the solicitation, SSC will develop the evaluation framework in collaboration with the prequalified vendors. SSC will also invite third parties to give input on the fairness of the procurement.

#### 4. Inclusivity and Canada's Access to Innovation

##### *What we Heard:*

Vendors expressed concerns about how this solicitation seems to restrict competition because of the long-term horizon and timeline of 20+ years of this procurement vehicle, and how the procurement process seems to exclude capable vendors, such as Canadian companies.

Vendors also questioned how such a long-term contract is in the best interest of Canada as it is perceived to limit Canada's capability to adopt innovative technologies.

##### *SSC Response and Actions:*

The direct impact of putting in place short-term contracts is the obligation to re-compete periodically. In the cloud services space, changing vendors significantly increases costs and operational risks. A long-term procurement vehicle (20+ years) will meet GC client needs in streamlining service delivery and provide stability to departments' program lifecycles.

The vision is to compete once and put in place long-term contracts that can evolve. The open ecosystem will allow for the entry of new vendors during the contract stage.

The agile procurement approach will enable SSC to discuss with prequalified vendors the configuration of the resulting contracts.

Socio-economic measures, to favour access of SMEs and vendors from underrepresented groups, will be developed and included in the final solicitation.

#### 5. SSC Objectivity and Fairness

##### *What we Heard:*

Vendors expressed concerns about SSC's objectivity in conducting a fair procurement process as it is currently under contract with vendors under the FA.

##### *SSC Response and Actions:*

The current prequalification criteria are different from the ones that led to the selection of FA holders.

SSC is developing an evaluation framework to identify evidence to characterize vendor capacities. That evidence is mapped to evaluation criteria and transparently converted into points. Thus, and as stated in [section 18.2 of the Standard Instructions](#): *the experience acquired by a bidder who is providing or has provided the services described in the bid solicitation (or similar services) will not, in itself, be considered by Canada as conferring an unfair advantage or creating a conflict of interest.*

Furthermore, vendors will have the chance to provide feedback on all components of the selection approach.

SSC will provide the list of consultants involved in writing the Challenge-Based Solicitation (CBS) to avoid any real, potential, or perceived conflict of interest.

## B. Agile Procurement Process

### 6. Problem Statement and Scope of Contract

#### What we Heard:

Industry provided a considerable number of comments and questions relating to the agile procurement process and expressed some confusion about the stages of the procurement process, the associated timelines, the overall approach, and the timing of the release of various documents referenced in the stages but not posted.

Industry shared concerns about the nature of the problem statement, emphasizing that there is little information on specific workload requirements of GC departments. Requests were made to provide use cases for IaaS and Native-PaaS, and to focus on outcomes and business value while avoiding being prescriptive on technical requirements.

#### SSC Response and Actions:

#### 6.1 Evolving solicitation documents:

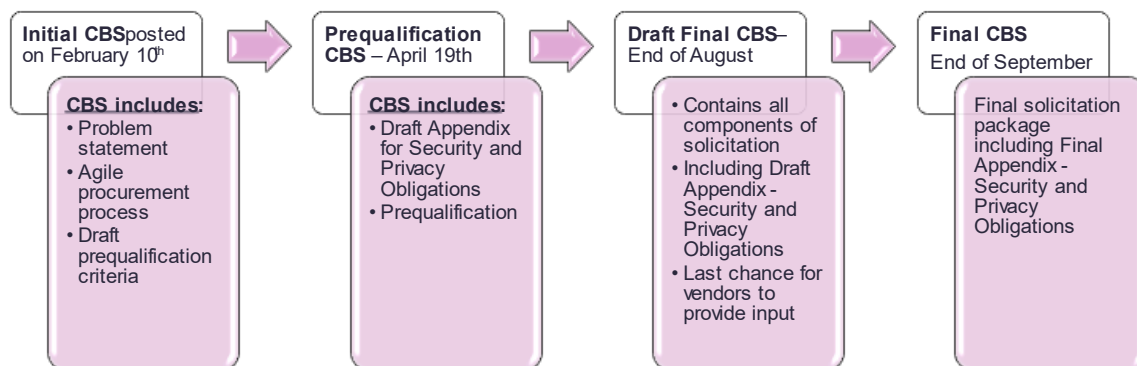
One of the key differences of agile procurement is the fact that the solicitation process and document evolve. Not all details about the requirements and the selection process are developed upfront and disclosed under the Initial CBS. SSC understands that this can be confusing.

To ensure that SSC provides timely clarification about the procurement’s desired outcomes, its processes and requirements, SSC will share available information with the industry through multiple webinars.

**Figure 1 – Solicitation Document Timelines**

#### Evolving Solicitation Document

The solicitation document will evolve during the solicitation period.





## 6.2 The Problem Statement is the cornerstone of SSC's capacity to evolve the contract:

The problem statement is the contract scope. SSC engages the industry during the solicitation process to validate the problem statement and identify the initial technology to be procured.

During the contract stage, contractors could propose innovative solutions to better solve the problem.

If approved, the contract will be modified.

## 7. Stages and Timelines of the Agile Procurement Process

### *What we Heard:*

Industry shared several questions specifically about the various stages of the procurement and their timing, specifically:

- Stage 4 Prequalification and the evaluation criteria, including confusion as to where the Minimal Viable Requirements (MVRs) fit into this stage.
- Stage 5 Waves of Invitation to Refine and how Industry can get involved in one-on-one sessions with Canada.
- Stage 9 timing and approach, specifically noting concerns with a video-based response.

Specifically on Stage 9, the Industry expressed some concerns and requested the reasoning for a video-based response and expressed concerns about the potential of introducing subjectivity in the evaluation process.

### *SSC Response and Actions:*

In response to what we heard, Canada will provide clarity as to what is required at each stage of the procurement process. Specifically:

- For Stage 4, the only criteria to be met are in the Prequalification Bidding Form. The draft MVRs were posted and will be reviewed with the prequalified Bidders in Stage 5. The MVRs are contractual obligations of the vendor and not a requirement to prequalify.
- After Stage 4 - Posting of CBS Prequalification, the communications with vendors will be coordinated directly via emails and will no longer be posted on CanadaBuys.canada.ca.
- For Stage 5, the Bidders who prequalify after Stage 4 will be invited to participate in many waves of Invitation to Refine on all components of the solicitation. This may include various engagement methods such as one-on-one sessions with vendors, questionnaires, and interactive sessions. All prequalified Bidders will have the opportunity to participate equally.
- For Stage 9, SSC is unsure when this will happen but aims to complete Stage 5 by August 2024. Updates on the timelines will be provided to the prequalified vendors during webinars and interactive sessions.
- In the Agile approach, SSC favours virtual bid presentations and live video-based responses. These methods lessen the workload for Bidders to develop detailed and lengthy written responses to evaluation criteria. It also enables the evaluation team to directly assess the required evidence as outlined in the Evaluation Framework. To ensure a fair and objective assessment, the evaluation process is grounded in evidence. SSC clearly communicates to

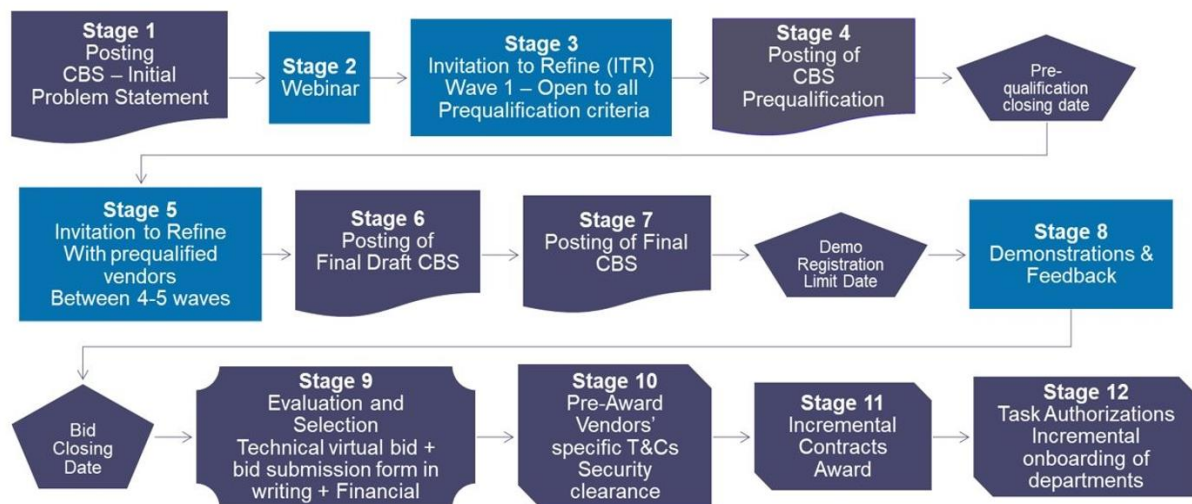
bidders the specific evidence needed and the criteria for scoring. Importantly, SSC will share a draft version of the approach and evaluation criteria with prequalified bidders for feedback during the Stage 5 Invitation to Refine. This step is crucial for ensuring that all bidders fully understand the requirements, have the chance to ask questions, and address any concerns regarding clarity, subjectivity and fairness before the final documentation is published.

**7.1 Timelines:** while not a formal commitment, the following reflects the time objectives in terms of delivering the IaaS-Native PaaS solicitation:

- April 19, 2024: Posting of Prequalification CBS
- May 13, 2024: Prequalification Closing
- Spring and Summer 2024: Invitation to Refine with prequalified vendors
- End of August 2024: Final draft CBS posted
- September 2024: Bid Closing
- February 2025: Contract award

The stages of the procurement process as presented in the Webinar are provided below for ease of reference.

**Figure 2 – IaaS Native-PaaS Procurement Process**



## 8. Fairness Monitor

### *What we Heard:*

Some vendors inquired about the use of a fairness monitor given the complexity, contract value and duration of this procurement vehicle.



*SSC Response and Actions:*

The use of a fairness monitor in an agile procurement process is generally considered to provide less value for several reasons. Agile procurement focuses on flexibility, iterative development, and close collaboration between Bidders and the GC.

As part of Stage 5 (Invitation to Refine), the prequalified Bidders will be invited to work in collaboration with Canada on the development of the solicitation documents. This involves continuous waves of interaction and feedback loops which encourage ongoing dialogue. This collaboration helps clarify expectations and requirements throughout the procurement process, reducing the risk of misunderstandings and perceived unfairness that a fairness monitor would typically seek to address.

Agile methods prioritize open communication and collaboration, which inherently promote fairness and transparency. When all parties are engaged in a cooperative manner, the need for external monitoring to ensure fairness decreases. Agile procurement allows for adjustments to be made throughout the procurement process, accommodating changes in scope, requirements, and contract terms. This flexibility means that procurement decisions are based on the most current understanding of needs and capabilities, reducing the likelihood of disputes over fairness.

SSC will keep consulting with the Department of Justice and other GC authorities to ensure the fairness of its process and practices. SSC will also mobilize internal and external experts to provide objective feedback on the selection framework. That third-party review will also contribute to ensuring the fairness of the procurement process.

It is important to note that while the need for a fairness monitor might be less pronounced in agile procurement, principles of fairness, transparency, and accountability remain a cornerstone of the agile procurement process. Bidders will have many opportunities to voice their concerns related to fairness and transparency. Furthermore, the procurement mechanisms that are in place in a traditional procurement to ensure these principles are upheld, remain in place in an agile procurement, including the role of the Contracting Authority to receive any issues or complaints from Bidders and complaints of Canadian International Trade Tribunal (CITT) jurisdiction.

## **C. Challenge-Based Solicitation Content**

### **9. Terms and Conditions**

*What we Heard:*

Canada received varied feedback regarding the terms and conditions (Ts&Cs) of the resulting contract.

*SSC Response and Actions:*

SSC is adopting a balanced approach in relation to the Ts&Cs. The resulting contract clauses included in Section 6 are mandatory.

Bidders may propose additional terms as required to reflect the unique nature of their proposed cloud service as long as those terms do not contradict the resulting contract clauses. Approved Bidders terms will be included as the last element in the list of Priority of Documents (Section 6.6 of the CBS).

SSC will discuss the details of the Ts&Cs with prequalified vendors. SSC will also consider the updated Ts&Cs that were agreed upon by the working group co-led by PSPC and SSC following industry consultations last summer.

## 10. Security, PBMM and HVA

### *What we Heard:*

Industry is seeking visibility in the Protected B/Medium integrity/Medium availability (PBMM) and the High Value Asset (HVA) security requirements and processes.

### *SSC Response and Actions:*

Canada is currently working on the requirements and the process for PBMM and HVA security requirements with TBS (Treasury Board Secretariat) and CCCS (Canadian Centre for Cyber Security).

A draft of the Annex related to the Security Obligations and Privacy Obligations will be posted with the Prequalification CBS.

Industry will be required to meet PBMM or HVA security requirements later in the process. Industry is not required to meet PBMM or HVA security requirements to prequalify as part of Stage 5 (Prequalification).

## 11. Financial Considerations and Pricing Model

SSC received various comments about pricing and financial assessment.

### 11.1 Financial Weighting

#### *What we Heard:*

Industry response to the 70% technical, 30% financial weighting in the procurement process was varied. Some commend Canada for prioritizing highly technical standards and urge SSC to keep the current weighting, endorsing the 70/30 ratio. They suggest that technical quality should continue to be the primary consideration in the evaluation process.

Some raised concerns, arguing that prioritizing technical requirements over financial considerations might not help Canada reduce costs, potentially preventing SSC from achieving the best value for money. Others noted that IaaS is a standardized offering from major cloud providers, suggesting that factors like solution fit, architecture, security, performance, and operational costs should be competitive factors.

There was also a question about whether the rankings from one stage of the procurement process will influence subsequent stages, asking specifically if a CSP ranked highly in an earlier stage would have an advantage in later stages, such as the final selection.

*SSC Response and Actions:*

GC must ensure the solicitation results in contracts that represents the best outcomes for Canadians and pricing is an important factor. The contractor selection methodology and associated weighting will be discussed with prequalified Bidders during Stage 5 (Invitation to Refine).

The final evaluation framework will be discussed with prequalified vendors. the intent is to consider the score of the prequalification in the selection evaluation.

## 11.2 Pricing

*What we Heard:*

Industry provided feedback and is seeking clarification on pricing and financial assessment:

- How pricing will be assessed.
- Recommendation to remove the modification to SACC 2003, requiring price justification for a competitive process and a financial capability assessment.
- The recommendation that “out-of-scope pricing” be either removed or defined.

*SSC Response and Actions:*

The requirement for submitting a financial bid is not part of the prequalification stage. The Financial Bid will need to be submitted during Stage 9, Selection, at bid closing.

The Prequalification CBS will be adjusted to remove the modification to SACC 2003 and the requirement for a financial capability assessment.

Canada will discuss with the prequalified bidders the content of the financial bid form and any associated obligations.

## D. Prequalification Process and Criteria

In response to industry inquiries, Canada has received constructive and valuable feedback. Subsequently, there will be adjustments made to the evaluation criteria. Some criteria will be removed altogether, while others will be modified. The updated prequalification criteria will be published with the next iteration of the CBS.

Industry has expressed particular interest in clarifying aspects related to fairness, contractual clarity, security, encryption, data sovereignty, confidentiality and terminology usage.

## 12. Fairness and Clarity

### *What we Heard:*

Vendors raised concerns regarding the fairness and clarity of the prequalification process and evaluation criteria:

- Perception of favouritism towards larger CSPs with two opposing views:
  - ✓ Some vendors worry that existing FA holders will be unduly favoured.
  - ✓ Others would like to be deemed prequalified based on their status as FA holders.
- Ambiguity surrounding certain terminology and metrics.

### *SSC Response and Actions:*

Canada would like to clarify the distinction between demanding criteria aligned with operational needs and criteria perceived as unfair or subjective. In evaluating the capacity of a solution or bidder, SSC must identify evidence to ensure that the criteria are clear, measurable and in alignment with requirements. For example, requiring evidence of an ISO certification is not deemed unfair because prior to the contract award, it is mandatory for the bidder to have completed the GC CSP IT Security Assessment conducted by CCCS, which is a crucial operational security requirement and it is mandatory that the ISO27001 and ISO27017 certifications be completed before initiating the GC CSP IT security assessment. Considering the need for clear, measurable criteria aligned with operational requirements, Canada has decided to require that bidders possess the current, latest version and valid ISO27001 and ISO27017 certifications and audit reports at the prequalification stage (previously R4 Section A).

Canada has reviewed the suggestions and comments regarding terminology, accepting some modifications while others could not be accommodated. This approach ensures that Canada's commitment to using technology-agnostic terminology is upheld, aiming for clarity, and avoiding bias in language.

Canada will review the definitions and will add and refine definitions if it is determined that doing so will provide additional clarity. However, it is to be noted that the definition of *Canada's Data* underwent discussion during an industry consultation in response to the [Request for Information on Cloud Services Terms and Conditions Template](#) issued in September 2022. It was decided that the definition approved by SSC following the consultation would be used in this solicitation, which is also consistent with the latest definition used in the FA.

The definition of Data Centre (DC) will be based on the [Uptime Institute's Tier Classification System](#). However, SSC will not require proof of certification of the Data Center Tier Level. This classification system will serve as a guideline for describing Canada's own DCs. Subsequently, SSC considers this classification system as a clear way to identify enterprise-capable DC.

For R3, Canada accepts industry requests to reduce the duration requirement. Duration has been reduced from 10 to 7 years addressing concerns about the criteria potentially favouring larger CSPs.

### 13. Security, Encryption, and Data Sovereignty

#### *What we Heard:*

Vendors raised concerns regarding security, encryption, and data sovereignty of the prequalification evaluation criteria:

- two distinct perspectives:
  - ✓ one advocating for exclusive access to Canadian CSPs
  - ✓ the other favouring a broader approach.
- Requesting more details on security and encryption assessment framework.
- Asking for more flexibility in data residency and sovereignty requirements.

#### *SSC Response and Actions:*

SSC, in collaboration with TBS's Office of the Chief Information Officer and the Canadian Centre for Cyber Security (CCCS), recognizes that it is not mandatory for all data to remain within Canada. Consequently, the emphasis will be shifted towards evaluating the bidder's and the solution's capacity to secure Canada's Data. Sections 2.6 and 2.7 of the [Government of Canada Cloud Guardrails- Canada.ca](#) provided guidance to develop R2. There are nonetheless situations where Canada's data must remain in Canada under normal operating conditions.

As such, Canada needs to confirm that vendors have the ability to satisfy this requirement. As per section 4.4.3.14 Information and Data Residency of the [Directive on Service and Digital](#), *the department CIO is responsible for ensuring computing facilities located within the geographic boundaries of Canada or within the premises of a Government of Canada Department located abroad, such as a diplomatic or consular mission, be identified and evaluated as a principal delivery option for all sensitive electronic information and data under government control that has been categorized as Protected B, Protected C or Classified.*

Canada will remove M2 and modify R1 based on industry feedback. SSC will clarify R2, and after reviewing industry suggestions and internal discussion, the evidence of mechanisms will include system and communications protection policy; procedures addressing protection of information at rest and in-transit; information system design documentation; information system configuration settings and associated documentation; cryptographic mechanisms and associated configuration documentation; information system audit records and other relevant documents or records.

### 14. Confidentiality

#### *What we Heard:*

Vendors raised concerns about sharing certain evidence requested by SSC to demonstrate capacity.

#### *SSC Response and Actions:*

Canada confirms that bids are treated as commercially sensitive, consistent with handling third-party information in the contracting process. The Ts&Cs of the CBS address the handling of bids and confidentiality in detail. No further action is required.

## E. Minimum Viable Requirements

### *What we Heard:*

Overall, the MVRs were clear to industry except for a few clarification questions and suggestions for MVRs 6, 7, 8, 13 and 14.

### *SSC Response and Actions:*

SSC will be reviewing all MVR related feedback in preparation for the Invitation to Refine Wave 2 with the Prequalified Bidders.