

Vendor Performance Management Program

Background and Purpose

The VPM program is a contract management practice used to track, analyze, and manage the performance of a vendor in an effort to control costs, mitigate risks, and drive continuous improvement throughout the contract life cycle. The VPM Program assists in ensuring the delivery of quality infrastructure projects on time, on budget, and within scope.

VPM ensures:

- vendors are receiving informal feedback and formal evaluations on the vendor's performance at regular intervals; and
- past vendor performance is considered in procurement decisions.

The program was developed in collaboration with industry partners.

Program Objectives

The objective of the VPM Program is to support good performance by vendors on Infrastructure contracts, while using vendor past performance to inform the acquisition of goods, services, or construction; improve transparency; promote innovation; and ensure best value.

Vendor Impacts and Benefits

One of the objectives of the VPM Program is to ensure issues are identified and addressed early, resulting in better project outcomes for everyone. Similar to other jurisdictions, the VPM Program includes the following foundational elements:

- standardized approach to performance evaluations across Infrastructure;
- use of vendor performance ratings in selection processes;
- centralized repository of vendor performance ratings;
- encouragement to provide excellent service as per the contract;
- improved integrity through identification of underperforming vendors;
- ongoing two-way communications, including performance expectations; and

- principles of openness, fairness, and transparency supported throughout.

Completed work on a contract subject to the VPM Program will result in the ability for Infrastructure to provide a company with a reference.

Participation

The VPM Program is compulsory on all contracts with Alberta Infrastructure with an estimated value of \$100,000 or more. This will be clearly identified in the procurement solicitation and contract documents. Based on risk and complexity, exceptions can be made to this threshold.

Eligibility

Generally, the VPM Program is for Consultants or Contractors for Infrastructure construction projects.

Infrastructure does not directly evaluate the sub-consultants or sub-contractors. The VPM Program only applies to the legal entity with whom Infrastructure is contracting with directly.

Evaluation Criteria

Vendors (Consultants and Contractors) will be assessed on five indices: quality; management; schedule; cost; and safety. There are some differences between how these are applied for a Consultant and a Contractor. Key Performance Indicators (KPIs) in each index will differ depending on the type of work (e.g. General Contractor versus Design-Builder; Prime Consultant versus Functional Programmer). KPIs are outlined in the procurement solicitation documents and the resulting contract.

Criteria was drafted based on jurisdictional research, feedback, and input from internal and industry stakeholders.

Each index is weighted equally toward the total performance evaluation score. A Consultant has two indices dedicated to quality, encompassing safety, meaning quality is weighted higher in the total performance score.

Key Performance Indicators

Some KPIs will be assessed based on pass/fail criteria, while others will be assessed using a 1-5 scale.

With regard to the latter, scoring starts with a “3 – achieved” score on all KPIs. This provides a framework for scoring where evaluators will assess the KPI to determine if there is sufficient evidence to mark the vendor up (4 or 5), or down (2 or 1). Scores must be substantiated with factual narratives.

Receiving a failing mark on any pass/fail KPI would result in an automatic 1 rating for the associated index.

The below provides the definition for the performance scale ratings:

- Exceptional (5): vendor’s performance greatly exceeds the expected performance.
- Surpassed (4): vendor’s performance exceeds the expected performance.
- Achieved (3): vendor’s performance meets the expected performance.
- Improvement Required (2): vendor’s performance is below the expected performance.
- Significant Improvement Required (1): vendor’s performance is significantly below the expected performance.
- Not Applicable (N/A): not applicable to the contract or point in time evaluation.

Assessment of Vendor Performance

Infrastructure Project Managers (PMs) will work with vendors and are responsible for evaluating performance according to the contract. Many Infrastructure PMs hold designations through professional bodies; however performance is being evaluated according to Infrastructure’s contract requirements, not the professional bodies’ standards. Information from other sources may be considered in evaluation; for example, feedback from technical experts involved in design review may contribute to evaluation scores. A Contract Evaluation Advisor will review all performance evaluation results in order to ensure consistency and fairness in scoring. The Contract Evaluation Advisor is a member of the Operations and Administration branch, separate from the project delivery areas, able to provide VPM Program oversight.

Compliance with Trade Agreements

The program aligns with trade agreements. Trade agreements require the procuring entity to specify clearly, in advance, in its tender notices or tender documentation the evaluation criteria that will be used in the evaluation of tenders/solicitations, including methods of weighting and evaluation.

Infrastructure outlines, in advance, the specific evaluation criteria that will be used in its evaluation of tenders/solicitations. This is communicated publically to align with the Government of Alberta principles of:

- integrity - governance structures provide appropriate VPM Program process oversight;
- fairness - all Vendors participating in the VPM Program are treated equally; and
- transparency and openness - VPM Program information, processes and evaluation methodology are clearly communicated and publically available.

Additionally, the Canadian Free Trade Agreement allows for exclusion of a vendor from participation in a procurement if there is supporting evidence of significant or persistent deficiencies in performance of any substantive requirement or obligation under a prior contract or contracts.

VPM Program Evaluation

Infrastructure is open to receiving feedback at any time. Under the VPM Program, a Vendor Feedback Survey is provided at each performance evaluation period as a mechanism for Infrastructure to receive formal feedback from the vendor. The VPM Program will be evaluated on an annual basis for continual improvement. Feedback can be sent to infras.vendorperformance@gov.ab.ca.

Requesting a Review of Evaluation Results

The VPM Program includes the opportunity for a vendor to request a review of the result in writing within 10 business days of receiving the Vendor Performance Evaluation Result (see Section 9.0 in the Vendor Performance Management Program Document). Decisions regarding a review will be made by a committee consisting of senior level executives at Infrastructure and their decisions are considered final.

Evaluation Schedule

For contracts to which the VPM Program applies, vendor performance is evaluated every six months including at the end of the contract term. If a contract is less than one year, only one final vendor performance evaluation is required at the end of the contract, leaving discretion for a vendor performance evaluation during the contract term.

Overall Vendor Performance Rating

Each performance evaluation result contribute towards a vendor’s Overall Vendor Performance Rating (OVPR). The OVPR is calculated:

- using a three-year rolling average of vendor performance evaluation results, where results from the current year ("year 3") are given the most weight and the results from year 1 are given the least weight; and
- using all vendor performance evaluations from each contract subject to the VPM Program.

This will average out a poor score if the vendor has a good track record on a number of projects but their last project did not go well.

Impact of a vendor's performance results on a procurement evaluation

Performance evaluation results from all contracts subject to the VPM Program that a vendor has with Infrastructure contribute to the vendor' OVPR. The OVPR is calculated as follows, and adjusted for years there is no performance data:

$$\frac{3 \times \text{Sum of Current Year Evaluation Results} + 2 \times \text{Sum of Previous Year} + 1 \times \text{Sum of Previous Previous Year}}{3 \times \text{Count of Current Year Evaluations} + 2 \times \text{Count of Previous Year} + 1 \times \text{Count of Previous Previous Year}}$$

$$3 \times \text{Count of Current Year Evaluations} + 2 \times \text{Count of Previous Year} + 1 \times \text{Count of Previous Previous Year}$$

The above OVPR translates to a multiplier used to make an adjustment to the final procurement evaluation score or bid submission. Vendors receive an advantageous adjustment if the OVPR is above 3.00 or an adverse impact on the procurement evaluation score or bid if the OVPR is below a 3.00.

- In a value-based procurement, the adjustment can result in up to plus or minus 10 per cent of the procurement evaluation score.
 - $\text{VPM Adjusted Score} = \text{Total of Qualification \& Fee Scores} \times [1 + 0.10 \times (\text{OVPR} - 3) / 2]$
- In a price-based evaluation, the adjustment can result in up to a plus or minus 5 per cent adjustment to the submitted bid.
 - $\text{VPM Adjusted Price} = \text{Bid amount} \times [1 - 0.05 \times (\text{OVPR} - 3) / 2]$

Vendors are evaluated on more than just the performance. Qualifications and fee, or the bid, are part of the evaluation, with the VPM adjustment contributing to the final evaluation score. For example, an OVPR of 3.20 results in a 1per cent advantage to a performance evaluation score, or a 0. 5 per cent decrease to a bid (for ranking purposes only).

Company's OVPR

If a company has a contract with Infrastructure that is subject to the VPM Program, the company will be evaluated throughout the contract lifecycle. Each evaluation result will contribute to the company's OVPR. The company will receive a formal notice after each evaluation indicating the new OVPR. References displaying the OVPR can be provided directly to the vendor upon written request.

If a company has not had a contract with Infrastructure that is subject to the VPM Program, or has not yet been evaluated under a VPM Program contract, the company would not have an OVPR yet. For the purpose of procurement evaluation, those vendors that do not have an OVPR are defaulted to the score of 3.

If a company does not have an OVPR, the company can still apply on a procurement. Vendors without an OVPR receive a default score of 3, which equates to no VPM adjustment to the score or bid during the procurement evaluation.

Impact of a company acquisition or amalgamation on the OVPR

In the case of an acquisition of one company or entity by another company or entity, the performance evaluation results from the company being acquired will be added to and form part of the OVPR of the acquiring company or entity.

In the case of an amalgamation of two or more companies or entities, the performance evaluation results from each separate company or entity will be added together and form the resulting company's OVPR.

Other company's OVPR scores

Infrastructure does not publish OVPR scores.

Consultant Ratings for Design-Build Procurements

Infrastructure has developed a specific set of Design-Builder KPIs that combine the design and construction related indicators. Only vendors who are in a direct contractual relationship with Infrastructure are evaluated under the VPM Program. If the consulting firm is not in contract with Infrastructure, then the consulting firm is not evaluated under the program.

Consultant Ratings for P3 Projects

Design and engineering services consulting contracts leading up to a P3 contract, where the consultant is in a direct contractual relationship with Infrastructure, are subject to the VPM Program. However, the actual P3 contract where design and engineering consultants are sub-contractors in hierarchy of the P3 contract are not subject to the VPM Program for several reasons:

- P3 contracts are performance based and have a performance evaluation component built into the contract, with financial penalties for any non-performance;
- P3 contracts have design, construction, financing, and maintenance risks assigned to the P3 contract where the KPIs are more stringent than in the VPM program; and

- P3 contracts are unique in their structure and requirements, where the P3 contract is signed with a project specific company. As a result the performance evaluation result and Overall Vendor Performance Rating (OVPR) would never be used again in future P3 procurement solicitations.

OVPR for Contracts Awarded to Joint Ventures or Partnerships

A partnership or non-incorporated joint-venture is treated as a vendor in its own right for the purposes of performance evaluation.

During the procurement evaluation of a partnership or non-incorporated joint venture, the average of all parties' OVPRs is used. If one company has an OVPR and the other company has not been evaluated under the VPM Program, the company that has not been evaluated will be assigned the default OVPR of 3 to contribute to the average OVPR score. If none of the parties have an OVPR, a score of 3 will be used.

If any member of a partnership or joint venture is subject to a suspension, the partnership or joint venture's proposal or bid will not be considered.

The non-incorporated joint venture or partnership is evaluated as if it were a single vendor with one set of performance scores for the contract lifecycle. The results are then assigned to each constituent vendor to form part of the OVPR.

Continuous Improvement of the VPM Program

In 2021, as part of the evaluation and commitment to continual improvement of the VPM Program, Infrastructure evaluated the VPM Program for continuous improvement opportunities. This included reaching out to other jurisdictions to identify further opportunities to align and improve based on shared lessons learned, as well as stakeholder engagement. A revised VPM document was published in July 2021.