

APPENDIX IV

MONITORING AND REPORTING GUIDANCE

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1.0 INTRODUCTION

This guidance is intended to provide a framework for the Canada-Newfoundland and Labrador Offshore Petroleum Board's review of designated contracts, subcontracts and purchase orders associated with development phase procurement for a project in the Newfoundland and Labrador Offshore Area, including contracting and procurement by all contractors and subcontractors. The framework comprises three main elements:

- Quarterly Procurement Forecast;
- Review Procedures; and,
- Quarterly Procurement Report.

It is the Board's expectation that the number of contracts, subcontracts and purchase orders designated for review by the Board will not exceed 20% of all contracts, subcontracts and purchase orders \geq \$250,000 Cdn.

Any contracts, subcontracts or purchase orders $<$ \$250,000 Cdn. which in the Board's opinion may be sensitive, will also be subject to this guidance.

2.0 QUARTERLY PROCUREMENT FORECAST

The Board requires, thirty days prior to the first day of each quarter, a listing of all contracts, subcontracts and purchase orders, \geq \$250,000 Cdn., which will commence the contracting process in the upcoming quarter. For each contract, subcontract and purchase order this listing should provide:

- a description of the service(s)/item(s) to be contracted/purchased (material and equipment specifications shall be provided upon request);
- estimated value of contract, subcontract or purchase order:
 - (\pm 10%) for direct contracts and purchase order,
 - (\pm 20%) for subcontracts and sub-orders; and,
- anticipated RFP issuance date, RFP closure date and award date.

Appendix IV-A provides a suggested format for the Quarterly Procurement Forecast.

The Board will advise the operator, by the first day of each quarter, which contracts, subcontracts and purchase orders have been designated by the Board for review.

The Board shall be informed of all additions and changes to the forecast and shall advise the operator of its contract review requirements accordingly.

3.0 REVIEW PROCEDURES

This section outlines the procedures for reviewing those contracts, subcontracts and purchase orders designated by the Board under section 2.0 of this guidance.

3.1 Prequalification Stage

At the prequalification stage, prior to issuing a prequalification questionnaire to prospective bidders, the Board requires the following:

- a description of the scope of work;
- a copy of the prequalification questionnaire, if these documents differ from the standard prequalification questionnaires previously reviewed by the Board;
- a list of companies, indicating locations of head offices, to whom questionnaires will be issued; and,
- anticipated dates for closure of prequalification and issuance of a Request for Proposals (RFP) or a Request for Quotations (RFQ).

Appendix IV-B provides a suggested notification format.

3.2 Bidders List Stage

At the bidders list stage, prior to issuing a RFP or RFQ, the Board requires the following:

- list of bidders;
- a copy of the RFP/RFQ; (the Board will advise the operator of its requirements in this regard on a case by case basis);
- a description of corporate ownership (main shareholders by percentage) of bidders;
- location(s) of any Canadian based offices/plants/facilities;
- anticipated dates for closure of bids and award of contract/purchase order.

Appendix IV-C provides a suggested notification format.

3.3 Award Stage

At the award stage, prior to the award of contract/purchase order to the selected bidder, the Board requires the following:

- the name of the selected contractor/vendor;
- a listing of designated sub-contractors/sub-vendors;
- where applicable, a listing of proposed sub-contractors, sub-vendors and sub-suppliers;
- for construction/service contracts; the estimated Canadian and Newfoundland and Labrador employment (in person-hours);
- contract/purchase order commencement and completion dates;
- award rationale (evaluation of bids):
 - % difference in price between selected bidder and each bid,
 - primary location(s) of work associated with each bidder,
 - estimates of Canadian and Newfoundland content associated with each bidder calculated in accordance with the Canadian General Standards Board definition of Canadian Content (CAN2-147.3-82) (Refer to Appendix IV-F). The definition of “Newfoundland Content” shall be the same definition as “Canadian Content” except that “imported costs” refer to costs incurred in all areas outside the Province of Newfoundland and Labrador,
 - other information relevant to the evaluation of bidders including where applicable, a summary of the technical, commercial and Canada-Newfoundland benefits aspects of the bid evaluations; and
 - provisions with respect to participation of disadvantaged individuals and groups, where applicable.
- C-NLOPB Award Notification Form signed by an appropriate official of the operator (Refer to Appendix IV-D).

3.4 Timing

The Board will conduct its reviews within the following timeframes:

Prequalification review	-	5 Board working days
Bidders list review	-	3 Board working days
Award review	-	2 Board working days

4.0 QUARTERLY PROCUREMENT REPORT

The Board requires that the operator submit, within thirty (30) days of the end of each quarter, a listing of all contracts, subcontracts and purchase orders, \geq \$250,000 Cdn., awarded in the previous quarter. This listing should provide:

- item/service;
- estimated value of contract/purchase order;
- name of successful contractor/vendor;
- primary location of work;
- estimates of Newfoundland and Labrador and Canadian content; and,
- commencement and completion date.

Appendix IV-E provides a suggested format for the Quarterly Procurement Report.

APPENDIX IV-A

**DEVELOPMENT PROJECT
QUARTERLY PROCUREMENT FORECAST**

(Suggested Reporting Format)

Development Project Quarterly Procurement Forecast (For all Contracts/PO's ≥ \$250,000)					
Ref. #	Item/Service Description	Estimated Value	RFP Issue Date	RFP Close Date	Award Date

Note: This forecast should be organized by product/service category or by project component to facilitate review by C-NLOPB.

APPENDIX IV-B

DEVELOPMENT PROJECT

PREQUALIFICATION NOTIFICATION

(Suggested Reporting Format)

APPENDIX IV-C

DEVELOPMENT PROJECT

BIDDERS LIST NOTIFICATION

(Suggested Reporting Format)

APPENDIX IV-D
DEVELOPMENT PROJECT
AWARD NOTIFICATION FORM

APPENDIX IV-E

DEVELOPMENT PROJECT

QUARTERLY PROCUREMENT REPORT

(Suggested Reporting Format)

APPENDIX IV-F

CANADIAN GENERAL STANDARDS BOARD

DEFINITION OF CANADIAN CONTENT

(CAN2-147.3-82)

CANADIAN GENERAL STANDARDS BOARD

Standard For

DEFINITION OF CANADIAN CONTENT

(CAN2-147.3-82)

1. SCOPE

This standard defines Canadian content and then gives explanations and examples of the terms in the definition. “Canadian content”, frequently an important aspect of the procurement process, is here defined so that it can be considered from a common understanding.

2. DEFINITION

2.1 Canadian Content¹ is that portion of the selling price of a product or service associated with the work performed in Canada. Canadian Content may also be calculated as the selling price less the cost of directly and indirectly imported materials, labour, services, overhead and profit not taxable in Canada.

2.1.1 Selling Price is the net selling price to the buyer after all discounts. It includes all applicable federal and provincial sales taxes, excise taxes and tariffs.

2.1.2 Cost of Direct Imports¹ is that portion of the selling price associated with directly imported materials, labour, services and overhead. It includes the tariffs and the cost of transportation to the Canadian place of Importation (place where first landed in Canada).

2.1.3 Cost of Indirect Imports¹ is that portion of the selling price associated with the costs for materials, labour, services and overheads that, while obtained through a Canadian supplier, in fact originated outside Canada.

¹Reasonableness and materiality should apply when apportioning any of the above costs for foreign and domestic sources.

The content of Profit will be based on where the Profit is taxed.

The content of Leasing shall be consistent with the added value concept for content allocation.

Calculation of Canadian content should be based on information derived through generally accepted accounting principles.

3. EXAMPLES

To aid in the interpretation of several terms, the following examples are provided:

3.1 Cost of Direct Imports

3.1.1 Directly Imported Material Cost – the cost of an electric motor bought directly from a firm producing it outside Canada. The cost of Import includes all duties paid and the transportation cost to the Canadian place of Importation.

3.1.2 Directly Imported Labour Cost – the labour cost of sewing together, in a factory outside Canada, a glove from leather and other materials supplied from Canada.

3.1.3 Directly Imported Service Cost – the cost of design work performed outside Canada.

3.1.4 Directly Imported Overhead Cost – the royalties or management fees paid outside Canada.

3.2 Cost of Indirect Imports

3.2.1 Indirectly Imported Material Cost – the cost of an electric motor produced outside of Canada and purchased from a distributor located in Canada for incorporation into a product assembled or manufactured in Canada.

3.2.2 Indirectly Imported Labour Cost – the labour cost, to a company with manufacturing facilities in Canada, of testing product in facilities outside Canada.

3.2.3 Indirectly Imported Service Cost – the computer costs, to a Canadian firm that provides computer services, of using a computer outside Canada in providing those services.

4. NOTES

Examples of the calculation of Canadian content as both a dollar value and a percentage of total net selling price, based on knowledge of either imported costs (4.1) or domestic costs (4.2), are given below:

4.1 Calculation Based on Knowledge of Imported Costs

- A. Total Net Selling Price
\$287,000

- B. Imported Costs: Costs related to
directly and indirectly imported
materials, labour, services, overhead

and profit not taxable in Canada.

Materials (incl. Tariffs)		
- Direct	\$ 35,000	
- Indirect	18,000	
Labour		
- Direct	20,000	
- Indirect	3,000	
Services		
- Direct	3,000	
- Indirect	-----	
Transportation (to Place of Importation)	4,000	
Overheads	16,000	
	<u>\$ 99,000</u>	\$ 99,000
C. Canadian Content (line A minus line B)		\$188,000
D. Percentage Canada Content (line C) (line A) x 100		66%

4.2 Calculation Based on Knowledge of Domestic Costs

A. Total Net Selling Price		
\$287,000		
B. Canadian Content – Cost related to domestic materials, labour services, overheads, taxes and profits		
Domestic Costs		
Materials	\$ 60,000	
Labour	40,000	
Services	2,500	
Transportation (within Canada)	5,000	
Overheads (incl. Profit)	42,500	
Fed. & Prov. Taxes	38,000	
	<u>\$188,000</u>	\$188,000
C. Percentage Canadian Content (line B divided by line A) x 100		66%