

Section 9G: Electronic Data Processing Buy for Lease Program

9G.1 (1994-06-23) The Electronic Data Processing (EDP) Buy for Lease (BFL) program is designed to allow Public Works and Government Services Canada (PWGSC) to operate as the lessee to clients in preference to clients leasing through a supplier. PWGSC recovers the cost of interest and related costs from the client, therefore, certain minimum savings to the Crown are required. PWGSC sets aside, each fiscal year, \$7 million in the Office Automation Allotment for this purpose.

This program covers the full range of EDP equipment.

9G.2 (1994-06-23) The program is coordinated by the Operations Support Branch, BFL Coordinator, Science, Informatics and Professional Services Sector.

9G.3 (1994-06-23) A contracting officer should consider if a procurement would benefit from the BFL program, when they receive a requisition for a lease of EDP equipment and determine from the client that there are no capital funds to purchase the goods outright.

Each requirement should meet the following criteria:

- (a) a proposed payback period of over 18 months;
- (b) a saving of at least \$10,000 (based on present value), and in excess of 10 percent of the purchase price. (Both figures are to either include or exclude maintenance.)

9G.4 (1994-06-23) The equipment may be purchased for subsequent lease if:

- (a) sufficient funds are available in the Office Automation Allotment;
- (b) the client is in agreement with the purchase and is willing to enter into an agreement sufficiently long to amortize total PWGSC costs;
- (c) the Information Technology Management Division of the Treasury Board (TB) Administrative Policy Branch has been consulted prior to each proposed acquisition, regardless of the value, and provided with a certification from the client's senior financial officer that they do not have the required capital funds to purchase the equipment;
- (d) the proposal includes a commitment to transfer title to the client after the expiry of the initial lease period; and
- (e) when the transaction exceeds \$1 million, a submission is made to TB, including a cost benefit analysis.

9G.5 (1994-06-23) Selection from a list of potential cases for the use of the BFL will generally be made by the BFL Coordinator on the basis of ranking such cases according to the probable savings (percentage-wise), until the total Office Automation Allotment is committed.

9G.6 (1994-06-23) Before entering into a lease arrangement with the client, the contracting officer must first determine, through the normal solicitation process, the efficiency of the BFL option. The approved format for determining savings is:

Present Value of Private Sector lease proposal	\$___ (A)
Present Value Cost to the Crown under BFL	\$___ (B)
Present Value Savings to the Crown	\$___ (A-B)

The rate to be used for this calculation is the official rate applicable to the Supply Revolving

Fund for the current fiscal year.

9G.7 (1994-06-23) If the cost savings show that BFL is the most cost-effective approach, then the contracting officer will contact the BFL Coordinator to determine if the funds are available and to commit the necessary amount. Upon confirmation that the funds are committed, the contracting officer needs to obtain client verification of:

- (a) the term of the requirement;
- (b) that there are not sufficient capital funds with the client; and
- (c) an Agreement in Principle that procurement through BFL is acceptable.

The contracting officer must forward one copy of the above, along with one copy of:

- (d) the client request;
- (e) the cost benefit analysis;
- (f) the future use of the equipment; and
- (g) any recommendations;

to the TB Administrative Policy Branch, for approval, and the EDP BFL Coordinator, for information.

9G.8 (1994-06-23) If TB agrees, and the procurement exceeds \$1 million the contracting officer will prepare a TB submission. After all approvals are granted, the contracting officer, in conjunction with Legal Services, will draw up a Memorandum of Undertaking (MOU) (see sample at [Exhibit A](#)), which will include:

- (a) name of client;
- (b) name of supplier;
- (c) detailed description of equipment;
- (d) purchase price;
- (e) interest rate;
- (f) term;
- (g) payment schedule;
- (h) client requisition number;
- (i) client consignee code;
- (j) client fund code;
- (k) client accounting office code;
- (l) client financial code;
- (m) client signature.

The contracting officer must forward the MOU to the BFL Coordinator.

9G.9 (1994-06-23) The contracting officer will raise a requisition for the EDP equipment, with requisition and financial code from BFL Coordinator. The BFL Coordinator will arrange commitment of funds.

9G.10 (1994-06-23) The contracting officer will identify themselves as the invoice, will proceed with the usual approvals, and will provide the BFL Coordinator with copies of the cost benefit analysis, the MOU, the contract and any subsequent amendments. After product acceptance by the client, the contracting officer will also provide the BFL Coordinator with a copy.

**EXHIBIT A
(1994-12-16)**

**PWGSC Buy for Lease Program
Memorandum of Undertaking**

1. Parties

The conditions outlined in the following constitute the basis of an agreement between the Department of Public Works and Government Services Canada hereinafter referred to as the "Purchaser", and _____, hereinafter referred to as the "User", for the provision of the following equipment: _____

2. Equipment Description

The Purchaser will purchase, from _____, hereinafter referred to as the "Supplier", the equipment as outlined in the Description hereto attached and referred to as Appendix "A".

3. Payment

In consideration for the use of said equipment and in accordance with TB738546 approved 2 March 1976 and TB753201 approved 2 February 1978, the purchaser is to recover full costs through periodic charges, including the purchase costs, the full interest costs, administration costs, and other related expenses through the series of payments outlined below:

Purchase Price -

Interest Rate -

TERM -

Date	Payment	Principal	Interest	Balance
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In addition, a charge of _____ will be made to cover the Purchaser's administration costs.

The interest rate and charges shown are those currently in effect for the Supply Revolving Fund this year.

All of the above charges, including principal and interest, are due and payable on the dates shown.

The charge for Administration Cost will be billed in accordance with normal Cost Recovery Procedures of the Purchaser.

The User is expected to follow the Payment Schedule outlined above whether or not the Purchaser formally bills the User for each individual payment.

All bills and relevant Interdepartmental Settlement Advice (ISA) must display the following details:

Customer Requisition No:
Consignee Code:
Customer Fund Code:
Accounting Office Code:
Financial Code:

4. Acceptance

The User will provide written certification to the Purchaser of the former's acceptance of the equipment in accordance with the terms and conditions of the contract between the Purchaser and the Supplier. Expressed and/or implied warranties in the agreement between the purchaser and the Supplier shall be treated as if they were mutually in the name of both parties to this agreement.

5. **Maintenance**

The payments required by this agreement do not include the cost of maintenance. The User agrees to provide any repair and maintenance necessary and to retain the equipment in proper operating condition throughout the period of this agreement.

6. **Damages**

The User will ensure that environmental conditions suitable for the operation of the equipment are maintained throughout the duration of this agreement. After acceptability has been certified by the User, the User is obligated to make all payments for the equipment as set out herein regardless of any damage or loss which may later occur to the equipment.

The Purchaser will assist the User in any claim which might be made against the Supplier under warranty or otherwise. The Purchaser assumes no obligation to repair any damage or replace any equipment destroyed. In the event of loss or damage, the Purchaser will make no claims on the User beyond payment of the full costs set forth herein.

7. **Title**

Title to this equipment will remain with the Purchaser until all payments are made under the terms of the MOU. Upon discharge of the User's financial obligations under the terms of this agreement, title to the equipment will be automatically transferred to the User.

8. **Asset Control**

If, during warranty or maintenance satisfaction, an exchange of equipment is made, the User is expected to notify the Purchaser of what has taken place.

Until such a time as title to the equipment is transferred to the User, the User must provide to the Purchaser, in the last month of each fiscal year, a list of the equipment held under this agreement and their physical location.

9. **Termination**

This agreement shall not be terminated except by the consent of both parties. Termination charges shall not exceed the balance of those payments outlined in paragraph 3.

Accepted:

Public Works and Government Services Canada

Per _____

Director

Date

Accepted:

(Name of User Department)

Per _____

Title

Date