

Annex G-ISS: Basis of Payment
In-Service Support (ISS) Contract

1 Basis of Payment

The Contractor shall be paid firm prices, in Canadian dollars, delivered duty paid (DDP) to the destinations identified below FOB DDP or FCA DDP (as identified below), GST/HST extra, Custom Duties and Excise Taxes included, where applicable. Prices include travel and living expenses.

The Contractor will be paid **unit prices** for that part of the month worked based upon the following formula, rounded to two (2) decimal places:

$$\frac{\text{Rate Per Month} \times \text{Number of Calendar Day(s) Worked}}{\text{Number of Calendar Days in that Month}}$$

The Contractor will be paid monthly in arrears, subject to the holdback provisions in Section 6.2.2 of the Contract.

1.1 Monthly ISS

For that Work described in Annex "A – ISS" (SOW), Paragraphs **1.3, 4, 5.2, 5.6, 5.7, 6.1, 6.4, 6.10, 6.11, 7.1, 7.2, 7.3**, FOB CFB/BFC 4 AD Regt, Gagetown, New Brunswick, Canada, the Contractor will be paid monthly in arrears, **a firm monthly rate of:**

Year 1	\$ _____
Year 2	\$ _____
Year 3	\$ _____
Year 4	\$ _____
Year 5	\$ _____

1.2 No Overtime Payments

Overtime work shall not be claimed nor reimbursed under this Contract.

2.2 For On-Site FSRs responding to critical failures on site as and when required, a firm daily rate of:

Year 1	\$ _____
Year 2	\$ _____
Year 3	\$ _____
Year 4	\$ _____
Year 5	\$ _____

3 Technical Investigation and Engineering Support (TIES)

3.1 For TIES work, as provided in Annex A-ISS (SOW), **firm hourly rates by labour category of:**

	Engineering Manager	Engineer	Technologist	Technician	Technical Writer
Year 1	\$	\$	\$	\$	\$
Year 2	\$	\$	\$	\$	\$
Year 3	\$	\$	\$	\$	\$
Year 4	\$	\$	\$	\$	\$
Year 5	\$	\$	\$	\$	\$

3.2 All prices for TIES will include Goods and Services Tax (GST) or Harmonized Sales Tax (HST) and must be included as a separate item on invoices and progress claims.

4 Repair and Overhaul (R&O)

4.1 For all R&O work, as provided in Annex A-ISS (SOW), **firm hourly rates by labour category of:**

	Program Manager	Engineer	Technologist	Technician
Year 1	\$	\$	\$	\$
Year 2	\$	\$	\$	\$
Year 3	\$	\$	\$	\$
Year 4	\$	\$	\$	\$
Year 5	\$	\$	\$	\$

5 Additional Work Requests (AWRs)

5.1 For AWR work, as provided in Annex A-ISS (SOW), **firm hourly rates by labour category of:**

	Engineer	Technician
Year 1	\$	\$
Year 2	\$	\$
Year 3	\$	\$
Year 4	\$	\$
Year 5	\$	\$

6 Contractor Furnished Material (CFM)

6.1 For all Contractor Furnished Material (CFM) upon inclusion of the CFM into a Task Authorization or this Contract by amendment the Contractor shall be paid its Laid Down Cost*, claimable upon receipt and acceptance by the Contractor, **a firm mark-up of:**

Year 1	_____ %
Year 2	_____ %
Year 3	_____ %
Year 4	_____ %
Year 5	_____ %

* Laid-down cost is defined as the Contractor's invoice price (less any trade discounts) plus any applicable charges for incoming transportation, foreign exchange, customs duty and brokerage, exclusive of Applicable Taxes.

7 Sub-contract Services

7.1 For sub-contract services, the Contractor shall be paid its Laid Down Cost*, claimable upon receipt and acceptance by the Contractor, a firm mark-up of:

Year 1	_____ %
Year 2	_____ %
Year 3	_____ %
Year 4	_____ %
Year 5	_____ %

8 Spares

- 8.1 For all Spares (as identified in Annex “A – ISS” (SOW), but excluding those provided under the MRR Acquisition Contract, the Contractor shall be paid its Laid Down Cost*, claimable upon receipt and acceptance by the Contractor, a firm mark-up of:

Year 1	_____ %
Year 2	_____ %
Year 3	_____ %
Year 4	_____ %
Year 5	_____ %

9 Rate Adjustment – Option Periods

- 9.1 For any option periods (excluding the Wind-Down Option Period), Canada and the Contractor shall negotiate rates for such option periods in accordance with Contract Cost Principles SACC 1031-2 (2012-07-16), and the Contractor shall be paid according to these negotiated rates.
- 9.2 For the Wind-Down Option Period, the Contractor shall be paid at the rates negotiated for the immediately preceding option period.
- 9.3 For work performed outside of Canada, or in the event that the Contractor retains its financial records outside of Canada, the Basis of Payment for each option period shall employ the most favoured annual applicable sole source costing rates and markups negotiated and approved and applied by the Contractor’s respective Government to its defence contracts.

10 Profit

The level of profit paid by Canada during any option period will be the lower of the level of profit calculated utilizing the methodology in Public Works and Government Services Canada’s Supply Manual, under the calculation of profit on negotiated contracts, or 12.5% of the annual approved costs incurred by the Contractor to perform the work. Should the work be performed or the Contractor’s records be located outside of Canada, the annual incurred costs for each option period will be calculated by utilizing the most favoured annual applicable sole source costing rates and markups negotiated and approved and applied by the Contractor’s respective Government to its defence contracts.

11 Cost of Repair and Overhaul (R&O)

11.1 Line Replacement Units (LRUs)

- 11.1.1 A derivative of the Maintenance Plan will be a Selection Notice and Priority Sheet (SNAPS) list of Line Repairable Units (LRUs) which are subject to repair or overhaul at Third Line Maintenance (TLR). The Contractor will provide the replacement cost for such LRUs, in anticipation of Canada and the Contractor determining a Maximum Repair Cost (MRC) for each item.

11.1.2 The List of Line Repairable Units (LRUs), which will indicate the replacement cost of each LRU, will serve much the same function as a Basic Order Agreement (BOA) and will be added by Contract amendment to this Annex F as Appendix 2 to the Basis of Payment when completed.

11.1.3 The Contractor may update the List of LRUs upon notice to Canada and such update will be included in this Contract by administrative amendment.

11.2 Maximum Repair Cost (MRC)

The cost Maximum Repair Cost (MRC) for R&O will be determined following Contract award, and added to this Contract by amendment as Appendix 3 to this Annex F, as follows:

- a. The MRC is initially set at 70% of the cost for a new item;
- b. The time for an item to initially enter R&O is 70% of its Mean Time Between Failure (MTBF), excluding the warranty period on new items;
- c. The number of arisings for items to flow through R&O is based upon the number of MRR Systems acquired by Canada, including Spares that the Contractor has suggested for maintaining the Operational Availability (Ao) outlined in Annex "B2" ISS SOW; and
- d. Repair of an item (outside of its Overhaul cycle) will only be initiated upon written consent of the Technical Authority.

11.3 Selection Notice and Priority Sheet (SNAPS)

11.3.1 The Selection Notice and Priority Sheet (SNAPS) will be agreed to by Canada and the Contractor following Contract award, and added to this Contract by amendment as Appendix 1 to this Annex F-ISS- Basis of Payment. The SNAPS will be in a format that is acceptable to Canada and compatible with Microsoft Office 2007 software suite.

11.3.2 Updates to the SNAPS will only take place following agreement by Canada and the Contractor and execution of the appropriate Contract amendment, and may occur at a Progress Review Meeting (PRM).