

ANNEX C

Basis of Payment (ISS)

TABLE OF CONTENT

1. Introduction 2

2. Basis of Payment..... 3

2.1 Payment for Program Management..... 3

2.2 Payment for Repairs..... 3

2.3 Payment for Additional Work Arisings..... 4

2.3.1 Pricing Options.....5

2.3.2 Task Subject to Limitation of Expenditure6

2.3.3 Task Completion/Closure Procedures6

2.3.4 Consolidation of Task Authorizations for Administrative Purposes6

2.3.5 Canada’s Obligation – Portion of the Work – Task Authorizations.....6

1. Introduction

The Basis of Payment is established herein for the following considerations:

- a. Payment for Program Management
- b. Payment for Repairs, and
- c. Payment for Aditonal Work Arisings.

2. Basis of Payment

2.1 Payment for Program Management

Payment for program management will be made in accordance with the Monthly Payment provisions of the Contract. Program Management charges must be based on Fixed Monthly Fees in Table 1 below.

Table 1 – Program Management Fee

Period	Fixed Monthly Fee
Year 1	\$
Year 2	\$
Option Year 1	\$
Option Year 2	\$
Option Year 3	\$
Option Year 4	\$
Option Year 5	\$

2.2 Payment for Repairs

Payment for completed repairs will be made in accordance with the Monthly Payment provisions of the Contract. Canada will make monthly payments for program management and completed approved repairs as follows:

- Labour charges must be based on Firm Fixed Hourly Labour Rates in Table 2 below.
- Mark-up charges for sub-contractor services must be based on Percentage Mark-ups in Table 3 below
- Mark-up charges for material must be based on Percentage Mark-ups in Table 4 below

Table 2 – Firm Fixed Hourly Labour Rates

Item No.	Labour Category	Hourly Labour Rate							
		Contract Award to 31 Dec 18	1 Jan 19 to 31 Dec 19	1 Jan 20 to 31 Dec 20	1 Jan 21 to 31 Dec 21	1 Jan 22 to 31 Dec 22	1 Jan 23 to 31 Dec 23	1 Jan 24 to 31 Dec 24	1 Jan 25 to 31 Dec 25
1	Junior Assembler	\$	\$	\$	\$	\$	\$	\$	\$
2	Senior Assembler	\$	\$	\$	\$	\$	\$	\$	\$
3	Production Associate	\$	\$	\$	\$	\$	\$	\$	\$
4	Production Supervisor	\$	\$	\$	\$	\$	\$	\$	\$
5	Junior Technician	\$	\$	\$	\$	\$	\$	\$	\$
6	Senior Technician	\$	\$	\$	\$	\$	\$	\$	\$
7	Junior Technologist	\$	\$	\$	\$	\$	\$	\$	\$
8	Senior Technologist	\$	\$	\$	\$	\$	\$	\$	\$
9	Junior Engineer	\$	\$	\$	\$	\$	\$	\$	\$
10	Senior Engineer	\$	\$	\$	\$	\$	\$	\$	\$
11	Project Manager	\$	\$	\$	\$	\$	\$	\$	\$

Table 3 – Sub-contractor Services Mark-up

Period	Percentage Mark-up
Year 1	%
Year 2	%
Option Year 1	%
Option Year 2	%
Option Year 3	%
Option Year 4	%
Option Year 5	%

Table 4 – Material Mark-up

Period	Percentage Mark-up
Year 1	%
Year 2	%
Option Year 1	%
Option Year 2	%
Option Year 3	%
Option Year 4	%
Option Year 5	%

2.3 Payment for Additional Work Arisings

Payment for Additional Work Arisings will be made in accordance with the Progress or Milestone Payment provisions of the Contract. Should there be a requirement for additional work beyond the established scope of this contract, such as Technical Investigations and Engineering Support (TIES), Special Investigations and Technical Studies (SITS) and Mobile Repair Parties (MRP) Canada will reimburse the Contractor as follows:

- a. The Technical Authority through Contracting Authority (CA) will provide the Contractor with a description of the task using the Task Authorization Form DND 626, Task Authorization Form specified in Annex C.
- b. The Task Authorization (TA) will contain the details of the activities to be performed, a description of the deliverables, and a schedule indicating completion dates for the major activities or submission dates for the deliverables. The TA will also include the applicable basis (bases) and methods of payment as specified in the Contract.
- c. The Contractor must provide the PA and CA, within 15 calendar days of its receipt, the proposed total estimated cost for performing the task and a breakdown of that cost, established in accordance with the Basis of Payment specified in the Contract.
- d. The Contractor must not commence work until a TA authorized by the CA has been received by the Contractor. The Contractor acknowledges that any work performed before a TA has been received will be done at the Contractor's own risk.

2.3.1 Pricing Options

- a. **Firm Price:** For AWAs, the Contractor must submit a "Firm Price" excluding travel and living expenses to the PA when the scope of Work is clearly understood by both parties and no changes are anticipated in the scope of the Work. Where a firm price has been established, the Contractor will be obliged to complete the Work for the specified firm price. Travel and living expenses will be paid based on actual expenditure incurred by the Contractor in accordance with the Basis of Payment.
- b. **Ceiling Price:** AWAs, the Contractor may submit a "Ceiling Price" quote excluding travel and living expenses to the PA when the scope of the Work cannot be clearly defined. The term Ceiling Price is the maximum price that is to be paid to the Contractor and beyond which the Contractor will not receive additional compensation for the defined Work and in return for which the Contractor is obligated to complete the Work. No additional funds will be made available. When the "Ceiling Price" approach is used both parties agree prior to the Work authorization that the price is subject to downward revision on completion of the task, based on the actual cost and verification of the actuals. Travel and living expenses will be paid based on actual expenditure incurred by the contractor IAW the Basis of Payment. Each Task Authorization for AWAs must clearly state whether the price is a "Firm Fixed Price" or a "Ceiling Price".
- c. **Limitation of Expenditure Price:** When it is not possible for the Contractor to submit a "Firm Price" or a "Ceiling Price" as described above, the Contractor may submit a "Limitation of Expenditure" quote.
- d. The "Firm Price", "Ceiling Price" and/or the "Limitation of Expenditure" quote must be based on the rates in Canadian Funds. All proposed prices and cost estimates must be supported by a detailed cost breakdown.
- e. For a task which is subject to a "Limitation of Expenditure" as described in Sub-paragraph c. above, the Contractor must notify the proper authority in writing as to the inadequacy of its "Limitation of Expenditure" when:
 - i. the resources required for its timely completion reaches 75% of the authorized task funding; or
 - ii. if during the execution of the authorized tasking it appears to the Contractor that the Scope of Work is greater than had been anticipated and that the funds provided for a task are inadequate.
- f. When providing the notification described in Sub-article e. above, the Contractor must, as a minimum, identify:
 - i. estimated labour hours and schedule forecast to complete;
 - ii. work around plan; and
 - iii. risk assessment.
- g. A revised proposal and proper justification for the requested amendment must be submitted to the proper approval Authority for consideration. Under no circumstance is the authorized level of expenditure to be exceeded. Canada is under no obligation to pay for any Work that exceeds the authorized funding limitation.
- h. All amounts charged on a "Ceiling price" or "Limitation of Expenditure" basis must be subject to Government audit before or after payment of an invoice.

2.3.2 Task Subject to Limitation of Expenditure

For a task which is subject to a "Limitation of Expenditure" the Contractor must:

- a. monitor the cost of Work and advise the PA (one copy to the CA) when 75% of the funds authorized for each task have been expended, and provide an estimate with backup support indicating if the remaining 25% will be sufficient to cover the balance of the Work forecasted for the task;
- b. if at any time during the Work it becomes evident to the Contractor that the authorized level of expenditure will be exceeded, the Contractor must immediately submit a written request for a Task Authorization Amendment in accordance with the Contract sub-article entitled "Tasking Procedure";
- c. when expenditures reach the authorized level of the DND 626, the Contractor must stop Work, notify the PA and await further written instructions from the PA and/or CA. Under no circumstances must the authorized level of the DND 626 be exceeded without prior written approval by the PA and/or CA; and
- d. the Contractor must not be obliged to perform any Work or provide any services that would cause the total liability of Canada to be exceeded without the prior written approval of the PA and/or CA in accordance with the Contract article entitled "Limitation of Expenditure".

2.3.3 Task Completion/Closure Procedures

The Contractor must monitor all tasks issued under the Contract. If at any time the Contractor believes that a specific task has been completed or has been inactive for a period of at least one (1) month, the Contractor must proceed as follows to request closure:

- a. The Contractor must determine the final costs to Canada, itemized as necessary for each individual task being considered for closure.
- b. The Contractor must submit a letter to the PA (one copy each to Technical Authority and CA) requesting closure of the task with reference to reports or letters concerning the task as applicable.
- c. In cases where authorized funds were not all expended to complete specific tasks, these funds are considered returned to the Contract funding baseline for re-issuance/re-distribution as necessary.

2.3.4 Consolidation of Task Authorizations for Administrative Purposes

For administrative purposes, the Contract will be amended by the CA from time to time to reflect all TAs issued and approved to date under the Contract.

2.3.5 Canada's Obligation – Portion of the Work – Task Authorizations

Canada's obligation with respect to the portion of the Work under the Contract that is performed through TAs is limited to the total amount of the actual authorized tasks performed by the Contractor.

Canada reserves the right, at any time, to acquire the requested Work by other means including by selecting other suppliers. For example, Canada may decide to acquire the requested Work by other means when the Contractor provides a written proposal that has been rejected by Canada.