

**ANNEX B**  
**TO CONTRACT**  
**W8486 –184754**

**CALIBRATION PROGRAMME IN-SERVICE SUPPORT CONTRACT**

**BASIS OF PAYMENT**

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## **1 Introduction**

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

- a. Payment for Core Calibration Work;
- b. Payment for Core Repair Work;
- c. Payment for Core Program Management Work;
- d. Payment for Core Calibration Support Work;
- e. Performance Management Incentive Payment;
- f. Continuous Improvement Incentive Payment;
- g. Payment for Task Authorization Work;
- h. Travel and Living;
- i. Payment for Acquisition of Hardware and Software; and,
- j. Payment for Specialized Knowledge & Sub-Contractors.

## **2 Basis of Payment**

### **2.1 Calibrations**

Payment for the completion of Calibrations done in accordance with Section 3.2 of the Statement of Work (SOW) will be made using the Monthly payment provisions of the contract. Canada will make the monthly payments for completed and approved Calibrations as follows:

-Firm price costs for all Calibrations in accordance with Appendix 1 to the Basis of Payment. This rate is to include any Transportation in accordance with Section 3.4 of the SOW and any Preservation and Packaging needed in accordance with Section 3.5 of the SOW;

-Actual Costs and Mark-up charges for Sub-contractor services in accordance with Section 3.10 of the SOW must be based on Percentage Mark-ups in Table 2 below; and,

-Actual Costs and Mark-up charges for Contractor Furnished Material under Section 3.7 of the SOW must be based on Percentage Mark-ups in Table 3 below.

### **2.2 Repairs**

Payment for the completion of Repairs done in accordance with Section 3.3 of the SOW will be made using the Monthly payment provisions of the contract. Canada will make the monthly payments for completed and approved Calibrations as follows:

-Labour Charges must be based on the Firm Hourly Labour Rates in Table 1 below;

-Material Costs and Mark-up Preservation and Packaging costs in accordance with Section 3.5 of the SOW. Preservation and Packaging Mark-up must be based on the Percentage Mark-ups in Table 4 below;

-Actual Costs and Mark-up charges for Sub-contractor services in accordance with Section 3.10 of the SOW must be based on Percentage Mark-ups in Table 2 below; and,

-Actual Costs Mark-up charges for Contractor Furnished Material under Section 3.7 of the SOW must be based on Percentage Mark-ups in Table 3 below.

### **2.3 Special Tools and Test Equipment (STTE)**

Payment for any required Special Tools and Test Equipment fabricate in accordance with Section 3.4 of the SOW will be made using the Monthly payment provisions of the contract. Canada will make the

monthly payments for completed Special Tools and Test Equipment Equipment used on an approved Calibration in accordance with –Mark-up charges for Contractor Furnished Material under Section 3.7 of the SOW must be based on Percentage Mark-ups in Table 3 below.

**Table 1 – Repair Work Firm Hourly Labour Rate**

Activity	Year 1	Year 2	Year 3	Year 4	Year 5
Repair Hourly Labour Rate	\$	\$	\$	\$	\$

**Table 2 – Sub-contracted Services Mark-up**

Activity	Percentage Mark-up Year 1	Percentage Mark-up Year 2	Percentage Mark-up Year 3	Percentage Mark-up Year 4	Percentage Mark-up Year 5
Sub-Contractor Work as per Section 3.10 of the SOW	%	%	%	%	%

**Table 3 – Material Mark-up**

Activity	Percentage Mark-up Year 1	Percentage Mark-up Year 2	Percentage Mark-up Year 3	Percentage Mark-up Year 4	Percentage Mark-up Year 5
Acquisition of material in the performance of Section 3 of the SOW	%	%	%	%	%

**Table 4 – Preservation and Packaging for Repair Mark-up**

Activity	Percentage Mark-up Year 1	Percentage Mark-up Year 2	Percentage Mark-up Year 3	Percentage Mark-up Year 4	Percentage Mark-up Year 5
Acquisition of material in the performance of Section 3.3 of the SOW in accordance with Section 3.5	%	%	%	%	%

**2.4 Core Program Management Work**

Payment for Core Program Management Work will be made in accordance with the Monthly Payment provisions of the Contract. Core Program Management Work charges must be based on Fixed Monthly Rates identified in Table 5 below.

**Table 5 – Core Program Management Work Cost**

	Monthly Firm Rate

Activity	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Core Program Management Work</b>	\$	\$	\$	\$	\$

## 2.5 Core Calibration Support Work

Payment for Core Calibration Support Work will be made in accordance with the Monthly Payment provisions of the Contract. Core Calibration Support Work charges must be based on Fixed Monthly Rates identified in Table 6 below.

**Table 6 – Core Calibration Support Work Cost**

Activity	Monthly Firm Rate				
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Core Program Management Work</b>	\$	\$	\$	\$	\$

## 2.6 Performance Management Incentive Payment

### 2.6.1 Management Incentive

If the performance requirements outlined in section x.x.x of the Performance Management Framework, Annex J, are achieved an incentive payment of TBD of the annual Core Program Management Work fee will be issued to the Contractor.

### 2.6.2 Cost Control Incentive

For any performance that exceeds the requirement outlined in the Performance Management Framework, Annex J, an incentive payment of TBD of difference between Planned Calibration Costs and Actual Calibration Costs.

### 2.6.3 Credit

If the performance requirements outlined in the Performance Management Framework, Annex J, are achieved a credit will be paid by the Contractor, to Canada, of TBD of the annual Core Program Management Work fee.

### 2.6.4 Setup Task

The Performance Management Framework will not apply to the initial Setup work to be done under the contract.

## 2.7 Continuous Improvement Incentive

Placeholder for Gain Sharing incentive payment content.

## 2.8 Task Authorization Work

The following types of Task Authorization work may occur during the performance of Sections to 7 of the contract:

- a. Firm Price: For Task Authorizations, 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. The Contractor will be paid its authorized travel and living expenses, reasonably and properly incurred in the performance of the Work, at cost, without any allowance for overhead or profit, in accordance with the meal, private vehicle and incidental allowances specified in Appendices B, C and D of the National Joint Council Travel Directive (<https://www.njc-cnm.gc.ca/directive/d10/en>) and with the other provisions of the directive referring to “travelers”, rather than those referring to “employees”.

- b. **Ceiling Price:** Task Authorizations, 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. The Contractor will be paid its authorized travel and living expenses, reasonably and properly incurred in the performance of the Work, at cost, without any allowance for overhead or profit, in accordance with the meal, private vehicle and incidental allowances specified in Appendices B, C and D of the National Joint Council Travel Directive (<https://www.njc-cnm.gc.ca/directive/d10/en>) and with the other provisions of the directive referring to “travelers”, rather than those referring to “employees”.
- 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. The Contractor will be paid its authorized travel and living expenses, reasonably and properly incurred in the performance of the Work, at cost, without any allowance for overhead or profit, in accordance with the meal, private vehicle and incidental allowances specified in Appendices B, C and D of the National Joint Council Travel Directive (<https://www.njc-cnm.gc.ca/directive/d10/en>) and with the other provisions of the directive referring to “travelers”, rather than those referring to “employees”.
- 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. 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.
- f. When identified by DND, additional performance based methods including incentives may be applied directly to a DND 626 Task Authorization. This will be identified to the Contractor when the SOW is provided.

### **2.8.1 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 and 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 “Task Authorization”;

- 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 "Task Authorization Limit".

### **2.8.2 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.

### **2.8.3 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 Task Authorizations 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.

### **2.9 Travel and Living**

For task based work issued under a DND 626, the Contractor will be reimbursed its authorized travel and living expenses reasonably and properly incurred in the performance of the Work, at cost, without any allowance for profit, in accordance with the meal, private vehicle and incidental expenses provided in Appendices B, C and D of the National Joint Council Travel Directive, (<http://www.njc-cnm.gc.ca/directive/travelvoyage/index-eng.php>), and with the other provisions of the directive referring to "travelers", rather than those referring to "employees". All travel shall be authorized in advance and in writing by the DND Procurement Authority (PA) prior to making any travel arrangements. The Contractor shall provide the details of the travel and living expenses with each claim including copies of invoices, and remit copies of original receipts to the PA for reimbursement. All travel and living expenses are subject to Government Audit before or after the claim is paid.

### **2.10 Payment for the Acquisition of Hardware and Software related to Continuous Improvement and the replacement of Items that are Beyond Economical Repair**

For authorized acquisition of hardware, system equipment and software (HW/SE/SW) related to Continuous Improvement or to replace equipment that has been deemed Beyond Economical Repair under Section 3.4 of the SOW, the Contractor will be paid their direct costs, plus a mark-up in accordance with Table 7. The value of any acquisition under this section must not exceed \$25,000 (taxes included).

**Table 7 - Acquisition of Hardware, System Equipment and Software Mark-up**

Activity	Percentage Mark-up	Percentage Mark-up	Percentage Mark-up	Percentage Mark-up	Percentage Mark-up
	Year 1	Year 2	Year 3	Year 4	Year 5
Acquisition of hardware, system equipment and software (HW/SE/SW)	%	%	%	%	%

**2.11 Specialized Knowledge (SK) and Sub-Contracted Services Mark-up**

For authorized services of individuals with Specialized Knowledge (SK) & sub-contracted services used in the performance of sections 4 to 6 of the SOW, the Contractor will be paid for their direct costs, plus a mark-up in accordance with Table 8, applicable taxes are extra.

For any authorized travel and living expenses, reasonably and properly incurred in the performance of the Work, the Contractor will be reimbursed the Sub-contractor's travel expenses, at cost, without any allowance for overhead or profit, in accordance with the meal, private vehicle and incidental allowances specified in Appendices B, C and D of the National Joint Council Travel Directive (<https://www.njc-cnm.gc.ca/directive/d10/en>) and with the other provisions of the directive referring to "travelers", rather than those referring to "employees". All travel must have prior authorization of the Requisitioning Authority.

**Table 8 - Specialized Knowledge (SK) and Subcontracted Services Mark-up**

Activity	Percentage Mark-up	Percentage Mark-up	Percentage Mark-up	Percentage Mark-up	Percentage Mark-up
	Year 1	Year 2	Year 3	Year 4	Year 5
Acquisition of SK & Sub-Contractors	%	%	%	%	%

**2.12 Painsharing and Holdbacks**

TBD