

Annex B, DRAFT Basis of Payment Overview

The Contractor will be paid the prices detailed below for Work performed pursuant to this Contract, Customs duties are included and Goods and Services Tax or Harmonized Sales Tax (GST/HST) are extra, if applicable.

1.0 Transition-in Phase

The Contractor will be paid (TBD) for the successful completion of the Transition-in Phase.

2.0 Operation and Maintenance Phase

For Contract Years 1 to 7, the Contractor will be paid firm all-inclusive monthly lot prices, inclusive of overhead at ____%, and ____% of profit in accordance with the Tables attached hereto as Appendix 2: (The monthly lot prices will be the sum of the FFP for the year divided by 12 months).

For Contract Years 8 to XX (Earned Option Periods), the Contractor will be paid an all-inclusive monthly lot prices adjusted annually in accordance with the Economic Price Adjustment formula detailed below. The monthly lot prices includes ____% of overhead and ____% of profit.

The Firm Prices will be adjusted annually, on February 1 of each year, commencing in Year 8, if any of the option periods are granted. The adjustment will be equal to the increase in the average all-items Consumer Price Index, monthly (Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted) for January of that year over the same Index for the previous January, for the province of (To Be Determined) as published by Statistics Canada for the previous year. Where the CPI rate is a negative value, it will be treated as zero for the purposes of this adjustment.

Overhead and Profit are not subject to escalation or change. The overhead and profit will be equal to the percentage as provided for from the previous year.

3.0 Task Authorization:

In consideration of the Contractor satisfactorily completing all of its obligations under the authorized Task Authorization (TA), Reimbursable Customer Support request and Third party support request the contractor will be paid as detailed below, Customs duties are included and Goods and Services Tax or Harmonized Sales Tax (GST/HST) are extra, if applicable.

Canada will not pay the Contractor for any design changes, modifications or interpretations of the Work, unless they have been authorized, in writing, by the Procurement/Contracting (depending on the requirement) Authority before their incorporation into the Work.

3.1 Labour:

- (a) For Contract Years 1 to 7, the Contractor shall be paid the firm hourly rates inclusive of ____% overhead (labour burden rate) and ____% profit in accordance with the Tables listed in Appendix 2.

All Costs (direct/indirect) associated with administration and management aspects relating to TA work, including but not limited to bid requests, evaluation of the bids, inspection of the Work, invoicing, etc, are to be costed within the firm fixed price of the Contract and will not be reimbursed under an authorized Task Authorization.

- (b) For Contract Years 8 to XX (Earned Option Periods), the firm hourly rates will be adjusted annually, on February 1 of each year, commencing in Year 8, should any of the option periods be granted. The adjustment will be equal to the increase in the average all-items Consumer Price Index, monthly (Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted) for January of that year over the same Index for the previous January, for the province of (To Be Determined) as published by Statistics Canada for the previous year. Where the CPI rate is a negative value, it will be treated as zero for the purposes of this adjustment.

Overhead (Labour Burden) and Profit are not subject to escalation or change. The overhead and profit will be equal to the percentage as provided for from the previous year.

3.2 Food/Ration Services:

- (a) For Contract Years 1 to 7, the Contractor shall be paid firm unit prices inclusive of ____% profit, in accordance with the Tables listed in Appendix 2.

All costs (direct/indirect) associated with the administration and management relating to providing Food/Ration Services are to be costed within the firm fixed price of the Contract and will not be reimbursed under an authorized TA, TPS request or a R/CSR.

- (b) For Contract Years 8 to XX (Earned Option Periods), the firm unit prices will be adjusted annually, on February 1 of each year, commencing in Year 8, should any of the option periods be granted. The adjustment will be equal to the increase in the average all-items Consumer Price Index, monthly (Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted) for January of that year over the same Index for the previous January, for the province of (To Be Determined) as published by Statistics Canada for the previous year. Where the CPI rate is a negative value, it will be treated as zero for the purposes of this adjustment.

Overhead (Labour Burden) and Profit are not subject to escalation or change. The overhead and profit will be equal to the percentage as provided for from the previous year.

3.3 Subcontracted Work

For authorized Work completed by Subcontractors, other than those subcontractors performing Work under the Firm Fixed price of the Contract for same or similar services, the Contractor will be reimbursed its cost reasonably and properly incurred in the performance of the Work, at cost, plus a profit of XX%.

The profit on Subcontracted Work will be exclusive to the Contractor's first tier Subcontractor only, provided that the work has been delivered and accepted in accordance with the Task Authorization. All Work executed by entities other than the first tier Subcontractor (i.e. through a further subcontract) shall not be subject to profit paid by Canada.

3.4 Materials and Equipment

For authorized materials and equipment related to an authorized Task Authorization, the Contractor will be paid its cost reasonably and properly incurred for materials and equipment required to perform the Task Authorization plus a profit of XX%.

3.5 Transportation and/or Freight

For authorized Transportation and/or freight related to an authorized Task Authorization, the Contractor will be paid its costs reasonably and properly incurred, plus a profit of XX%. All transportation charges are to be prepaid by the Contractor and shown as a separate item on the invoice, supported by a certified copy of the prepaid transportation bill

3.6 Exchange Rate Fluctuations

The price will be adjusted either upwards or downwards to reflect the actual costs incurred associated with the actual foreign currency exchange rate obtained by the Contractor when remitting payment to a foreign- based supplier or subcontractor for the goods, services or both. On each invoice or claim for payment submitted under the Contract, for the TA the Contractor must indicate the foreign value or exchange rate adjustment amount (either upward, downward or no change) as a separate item. The Contractor must provide appropriate documentation showing evidence of payment to a foreign-based supplier or subcontractor for the goods, services or both included in the claimed amount. Canada will have the right to audit any revision to costs and prices under this clause.

3.7 Travel and Living

For commercial travel, 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 and administrative overhead in accordance with the meal, private vehicle and incidental expenses provided in Appendices B, C and D of the National Joint Council Travel Directive and with the other provisions of the directive referring to "travelers", rather than those referring to "employees".

All travel must have the prior authorization of the "Procurement Authority and/or Contracting Authority, as applicable. All payments are subject to government audit.

3.8 Omnibus GFE / GSM / Transportation and/or Freight

For authorized work related to an omnibus task authorization, the Contractor will be paid its cost reasonably and properly incurred, without any allowance for overhead and profit. All transportation charges are to be prepaid by the Contractor and shown as a separate item on the invoice, supported by a certified copy of the prepaid transportation bill.

3.9 Weather Delays

This Article applies to all Work subject to an authorized Task Authorization carried out at a Northern Site (LRR and SRR only) unless expressly excluded in an authorized Task Authorization for a particular effort.

In the event the Work cannot be initiated or completed in accordance with the schedule as provided in the Task Authorization and such delay is caused by weather, then the Contractor shall be reimbursed for its additional personnel costs incurred during the period of the delay subject to the following:

- a) personnel for whom the claim is being made were identified in the Task Authorization;
- b) all such personnel departed on the scheduled departure day;
- c) the Contractor notified the Procurement and Contracting Authorities of the delay; and
- d) The Contractor provides supporting documentation to justify that additional costs have been incurred as a result of the delay.

3.10 Advance Approval in Cases of Urgency

If, during the execution of an approved Task Authorization, the Contractor encounters an urgent requirement (as defined below), the Contractor shall attempt to contact the Procurement Authority by telephone or e-mail to obtain prior approval for the work required to resolve the urgent requirement, failing which, the Contractor may proceed to do the work necessary to resolve the urgent requirement provided that:

- a) the Contractor continues to attempt contact with Procurement Authority until such time as contact is achieved; and
- b) the total cost of the non-approved work does not exceed twenty-five thousand dollars (\$25,000).

In the event the Contractor is not able to resolve the urgent requirement, in full, at the cost specified in b) above, then the Contractor shall do that work necessary to prevent significant or serious incident, or significant costs, loss or damage to Canada's Property. In no event shall Canada's liability to the Contractor for non-approved work exceed twenty five thousand dollars.

In all cases of urgency, full support must be provided by the Contractor as to why the regular process for approval could not be followed along with justification for the costs. This information must be provided to the Procurement Authority no later than the first business day following the urgent requirement occurrence.

For the purposes of this provision, urgency is defined as a need of pressing emergency in which delay would be injurious to the public interest. An emergency may be an actual or imminent life-threatening situation, a disaster which endangers the quality of life or has resulted in the loss of life, or one that may result in significant costs, loss or damage to Canada's property.

3.11 Payment of Canada's Costs for Late Completion

- a. For the purposes of this Article, "period of delay" means the number of Days commencing on the Day fixed by the DND 626 for completion of the Task Authorization and ending on the Day immediately preceding the Day on which the Task Authorization is completed and the Work accepted by the Technical Authority, but does not include any Day within a period of extension granted by the Procurement Authority and/or Contracting Authority, as applicable or any other Day on which completion of the Work was delayed by reason of an Excusable Delay.
- b. If the Contractor does not complete the Work by the Day fixed for its completion by the DND 626 but completes it thereafter, the Contractor shall pay Canada an equal amount to the aggregate of:

- a) all labour and travelling expenses incurred by Canada in respect of persons overseeing the performance of the Work during the period of delay;
- b) the cost incurred by Canada as a result of the inability to use the completed Work for the period of delay; and
- c) all costs and expenses incurred or sustained by Canada during the period of delay as a result of the Work not being completed by the Day fixed for its completion.

4.0 Performance Management Framework (PfMF)

4.1 TBD.

5.0 Transition-out Phase: TBD