

ANNEX “B” BASIS OF PAYMENT

The Contractor will be paid in accordance with the following:

1. FIRM LINE ITEM UNIT COSTS (LIUC)

The Contractor must provide LIUCs for each of the Contract line items, in Canadian funds for the initial three (3) years of the Contract, Delivered Duty Paid, (Incoterms 2000), transportation costs, Goods and Services Tax, Harmonized Sales Tax, Quebec Sales Tax are extra. Canadian Customs Duties, where applicable, sales, excise and other and similar taxes levied, assessed or imposed under any legal jurisdictions in respect of anything to be furnished, sold or delivered by the Contractor pursuant to the Contract; all export and import licenses, permits where applicable; and any other related costs must be included in the LIUC.

1.1 LIUC - Option Periods

The Contractor agrees that, for each of the two (2) option periods of the Contract, if exercised, the line item unit costs (LIUC) (increases or decreases) will be adjusted in accordance with Statistics Canada’s average Consumer Price Index (all items) for municipalities in Canada, with the municipality closest to the Contractor’s main area of operations used for this purpose. The adjustment will be made annually, at the exercise of the option, based on the average of the CPI of the most recently reported twelve-month period using the LIUC of the previous year.

2 FIRM LINE ITEM MARK-UP (LIM)

The firm all-inclusive LIM is applicable for the initial contract period and the option periods of the Contract. This mark-up is intended to cover all elements of the Contractor’s costs, excluding the firm LIUC which is addressed separately above. The LIM must include all of the functions required in the Statement of Work, attached as Annex “A”, excluding the “As-and when requested” Professional Services, transportation costs, and applicable taxes.

Firm Line Item Mark-up (LIM) offered for the first three (3) years and two (2) option periods
 ____%

2.1 Government Owned

Inventory Goods that are transferred from Canada to the Contractor during the course of the Contract will become the responsibility of the Contractor. When Canada will request delivery of these goods, the Contractor will only charge their LIM. For calculation purposes, the Contractor will use the appropriate LIUCs listed in the Contract for the subject goods. If no LIUC exist in the Contract, Canada will provide to the Contractor a LIUC based on an estimated market value for similar goods.

3. “As-and-when requested” Professional Services

Firm all-inclusive hourly rates are as follows:

Categories	First Year	Second Year	Third Year
Training Services			
System modifications			
Secure Destruction	lb/	lb/	lb/
Uniform Design			
Tailoring Services			

Any materials, findings and other services required to perform the “As-and-when requested”

Professional Services will be reimbursed at cost supported by invoice. Any materials/equipment required to perform the work must be included in the estimate. Any unexpected expenses must be forwarded under a revised cost estimate to the Project Authority for approval.

Adjustment of firm all-inclusive hourly rates for option years will be in accordance with Statistics Canada's average Consumer Price Index (all items) for municipalities in Canada, with the municipality closest to the Contractor's main area of operations used for this purpose. The adjustment will be made annually, at the exercise of the option, based on the average of the CPI of the most recently reported twelve (12) month period using the hourly rates of the previous year.

4. TRAVEL COSTS

The Contractor will be reimbursed for previously authorized travel (outside of what is covered in the SOW), accommodation and living expenses associated with the completion of a Tasking, in accordance with the Treasury Board Travel Directive. For further information refer to the current TBS Travel Directive at: http://www.tbsct.gc.ca/pubs_pol/hrpubs/TBM_113/menu-travel-voyage_e.asp

5. NEW LINE ITEMS

Canada reserves the right to add new line items to the Contract as required by departmental programs in keeping with the scope of line items required under the Contract. The process outlined below will be followed for new line items to be added to the Contract. New line items will only be added to the Contract if the prices submitted are considered in Canada's sole discretion to be fair and reasonable. Upon receipt of a written notice from Canada, the Contractor must provide pricing and a price justification to the Contracting Authority as follows:

1. For any new line item having an estimated total annual cost up to \$25,000.00, the Contractor must provide the Contracting Authority with a copy of quote(s) received from a supplier(s). The Contractor must also include the following certification with each price quotation:

"The price submitted is not in excess of the lowest price charged to anyone else, including the Contractor's most favoured customer, for the like quality and quantity of the products. The Contractor's certification that the price is not in excess of the lowest price charged to anyone else is subject to verification by government audit, at Canada's discretion";

or

2. For any new line item having a total estimated annual cost over \$25,000.00, the Contractor must demonstrate as follows that the price submitted is competitive:

A) For goods produced by the Contractor the Contractor must submit their quote and quotes from two competing firms; or

B) For goods produced by sub-contractors, the Contractor must submit quotes from three competing firms, where possible. If the Contractor is unable to provide three quotes from competing firms, the reason must be provided to the Contracting Authority; and

C) In the event that there is only one source available for a particular new line item, the proposed cost along with price justification (published price list, previous invoices, or cost breakdown) must be provided to the Contracting Authority for review and approval. The Contractor must also provide a justification to the Contracting Authority as to why only one source is available for a particular new line item.

3. If the Contracting Authority is of the opinion that a cost quote submitted is fair and reasonable, the Contracting Authority will approve the cost in writing. Canada reserves the right to reject the proposed pricing on a new line item and procure the item itself. Once a cost is approved by the Contracting Authority, the inclusion of the new line item and the price agreed to by Canada will be evidenced for administrative purposes only through a contract amendment.

For new line items that have been added after Contract Award only, the Contractor will be allowed to submit a request for a LIUC adjustment when changes in the industry significantly impact the cost of an item. The request from the Contractor must be substantiated by providing current quote(s) or invoice(s), demonstrating a significant change in costs. The decision to modify the cost of a new line item will be at the sole discretion of the Contracting Authority.

6. INVENTORY BUY-BACK

At the end of the Contract where there is a new contract with another supplier or Canada takes over the services under contract, the Contractor must provide Canada up to a maximum 20% of the Canada's average yearly consumption of the line items (on a per line item basis rather than on an aggregate basis). If Canada requires additional quantities, they may at Canada's sole discretion opt to purchase additional quantities. The prices applicable to all uniform line items included in this Inventory Buy-Back will be the total of the LIUC and 50% of LIM.

Canada's average yearly consumption will be based on the sales of the previous twenty four (24) months period commencing six (6) months prior to the Contract end date. Another period may be used upon mutual consent of the Parties. The sizing for each quantity of line item to be delivered to Canada under this provision will be determined using the total quantity per size ordered during the average yearly consumption period. The Contractor must perform all calculations and provide Canada with all the data pertaining to the Inventory Buy-Back within twenty one (21) calendar days after request of the Contracting Authority.

If the Contract is terminated for default, Canada reserves the right to not proceed with the Inventory Buy-Back described.

7. CANADA OWNED INVENTORY

Canada Owned Inventory must be returned to Canada at the end of the Contract, unless the current Contractor is awarded a new contract to continue to provide similar goods and services to Canada. The Contractor will be paid for the return of any Canada Owned Inventory at 50% of LIM, transportation charges extra. The Contractor must deliver the Canada Owned Inventory within ten (10) business days after receipt of written notice from the Project Authority. Canada reserves the right to extend the delivery period at its sole discretion

8. BULK FABRIC BUY-BACK

At the end of the Contract, Canada may purchase remaining bulk fabric held by the Contractor, through a Bulk Fabric Buy-Back. The price paid by Canada for the Bulk Fabric Buy-Back will be the Contractor's direct costs for the fabric (i.e. net of overhead and profit), evidenced by supporting documentation provided by the Contractor, to the sole satisfaction of the Contracting Authority.

Canada may exercise the Bulk Fabric Buy-Back at any time prior to the Contract end date. If Canada contemplates exercising the Bulk Fabric Buy-Back, the Contracting Authority will send the Contractor a request for the direct costs breakdown. If following review of the direct costs breakdown, Canada decides in its sole discretion to exercise the Bulk Fabric Buy-Back, the Bulk Fabric Buy-Back will be evidenced for administrative purposes only through a contract amendment.

The Contractor must deliver the Bulk Fabric Buy-back within ten (10) business days after receipt of the Contract amendment from the Contracting Authority. Canada reserves the right to extend the delivery period at its sole discretion and will evidence the change in the delivery period for administrative purposes only through the contract amendment.

9. OBSOLETE ITEMS

During the Contract, the Project Authority will advise the Contractor in writing when a line item has become obsolete due to Canada's decision. Canada agrees to compensate the Contractor for the remaining obsolete inventory or 20% of the average yearly consumption based on the twenty four (24) month period prior to the written notice, whichever is less, using the LIUC listed in the Contract.