

J85
PROPULSION GROUP SUSTAINMENT
(PGS)

ANNEX B
BASIS OF PAYMENT (BOP)

SECTION 1 – For the Period from Contract Award to 31 March 2027

1.1 For the satisfactory provision of the supplies and services specified in the Contract for the period from Contact award date to 31 March 2027, the Contractor shall be paid in accordance with the following Basis of Payment:

Table 1: Direct Labour, Material Handling and Subcontract Rates

		Year 1	Year 2	Year 3	Year 4
1	Third Line In-Plant Maintenance, as per PWS Annex A, Section 5, Paragraphs 5.5.2, 5.5.5, and 5.5.6 (Fully loaded hourly labour rate - which includes all Direct Labour, Overhead and Profit)	\$	\$	\$	\$
2	Second and First Line Maintenance, as per PWS Annex A, Section 5, Paragraphs 5.5.3, 5.5.4, Section 7, Paragraphs 7.5.1 and 7.5.2 and Section 10, Paragraphs 10.2.1.3.1.a, 10.2.1.3.1.b. (Fully loaded hourly labour rate - which includes all Direct Labour, Overhead and Profit)	\$	\$	\$	\$
3	Engineering Support, Publications, and Training, as per PWS Annex A, Section 4, Paragraph 4.5.2, 4.5.3, and 4.5.4; Section 7, Paragraph 7.5.3; Section 8, Paragraphs 8.3.3, 8.3.4, and 8.3.5; and Section 10, Paragraph 10.2.3 (Fully loaded hourly labour rate - which includes all Direct Labour, Overhead and Profit)	\$	\$	\$	\$
4	Material Support Services, Shipping, and Disposal Support, as per PWS Annex A, Section 6, Paragraph 6.2.1, 6.9.1.1, and 6.10.5.1; and Section 10, Paragraph 10.2.1.4 (Fully Loaded Hourly Labour Rate - which includes all Direct Labour, Overhead and Profit).	\$	\$	\$	\$
5	Task-Based Mobile Repair Party (MRP) or Out of Plant Work as per PWS Annex A, Section 5, Paragraph 5.5.7 (Fully loaded hourly labour rate - which includes all Direct Labour, Overhead and Profit)	\$	\$	\$	\$
6	Material Handling Rate – Contractor Furnished Material applied to Laid-Down Costs (Annex B, Section 3, Paragraphs 3.4, 3.5 & 3.6)	%	%	%	%
7	Subcontract Rate (Annex B, Section 3, Paragraph 3.10 and 3.11)	%	%	%	%
8	Liquidated Damages				

Section 2 – For the Period following 31 March 2027

2.1 For any contract extensions beyond Year 7, rates for Lines 1-5 will continue to be increased annually by 2%. Rates for Lines 6 and 7 will remain unchanged.

Table 2: Direct Labour, Material Handling and Subcontract Rates for Contract Extension Option Years

		Year 5	Year 6	Year 7
1	Third Line In-Plant Maintenance, as per PWS Annex A, Section 5, Paragraph 5.5.2, 5.5.5, and 5.5.6 (Fully loaded hourly labour rate - which includes all Direct Labour, Overhead and Profit)	\$	\$	\$
2	Second and First Line Maintenance, as per PWS Annex A, Section 5, Paragraphs 5.5.3, 5.5.4, Section 7, Paragraphs 7.5.1 and 7.5.2 and Section 10, Paragraphs 10.2.1.3.1a and 10.2.1.3.1b. (Fully loaded hourly labour rate - which includes all Direct Labour, Overhead and Profit)	\$	\$	\$
3	Engineering Support, Publications, and Training, as per PWS Annex A, Section 4, Paragraph 4.5.2, 4.5.3, and 4.5.4; Section 7, Paragraph 7.5.3; Section 8, Paragraphs 8.3.3, 8.3.4, and 8.3.5; and Section 10, Paragraph 10.2.3 (Fully loaded hourly labour rate - which includes all Direct Labour, Overhead and Profit)	\$	\$	\$
4	Material Support Services, , Shipping, and Disposal Support as per PWS Annex A, Section 6, Paragraph 6.2.1, 6.9.1.1, and 6.10.5.1; and Section 10, Paragraph 10.2.1.4, (Fully loaded hourly labour rate - which includes all Direct Labour, Overhead and Profit)	\$	\$	\$
5	Task-Based Mobile Repair Party (MRP) or Out of Plant Work as per PWS Annex A, Section 5, Paragraph 5.5.7 (Fully loaded hourly labour rate - which includes all Direct Labour, Overhead and Profit)	\$	\$	\$
6	Material Handling Rate– Contractor Furnished Material applied to Laid-Down Costs (Annex B, Section 3, Paragraphs 3.4, 3.5 and 3.6)	%	%	%
7	Subcontract Rate (Annex B, Section 3, Paragraph 3.10 and 3.11)	%	%	%
8	Liquidated Damages			

Section 3 – Clarifications

- 3.1 Canada will not reimburse the Contractor for any costs associated with any Work performed at Annex A not explicitly stated in Annex B, Basis of Payment, Tables 1 and 2, which are all considered in-direct overhead costs.
- 3.2 Paragraph left blank intentionally.
- 3.3 All prices are Delivery at Place per Incoterms 2010.
- 3.4 CFM Laid down cost will be reimbursed based on the actual costs incurred to acquire the materiel at Line 6. The Material Handling Rate includes any applicable charges for shipping to the Contractor, customs duty and brokerage, overhead and excludes GST/HST.
- 3.5 Line 6: Material Handling Rate applies to CFM only.
- 3.6 CFM Laid down costs and the Material Handling Rate can only be invoiced to Canada at the time the CFM material is receipted by the Contractor and entered into DND's system of record.
- 3.7 Subcontract costs based on actual costs incurred must be claimed within Line 7.
- 3.8 The following expenses are excluded, unless approved by the Contract Authority, from being invoiced under Subcontract Rate, Line 7:
 - a) The Repair and Overhaul services that must be retained in-house in accordance with Annex A, Para 5.5.2.1;
 - b) OEM Technical Data and Licensing fees; and
 - c) Shipping as defined in Part 7, Resulting Contract Clauses, Para 7.30.
- 3.9 Task based shipping, on an as and when requested basis, at Line 4 will be reimbursed based on the actual costs incurred to ship the item to the final location. No mark-up or labour will be reimbursed.

Section 4 – Industrial and Technological Benefits (ITB) related Financial Adjustments

The Contractor must reimburse Canada Liquidated Damages from Industrial and Technological Benefits, as described in Annex E, on PWGSC 1111 as a negative amount using Basis of Payment Line Item #8: Liquidated Damages, as found in Tables 1 and 2.