

a. The negotiation parties spent a substantial time period in analyzing aircrew requirements. This was the single most important aspect of these negotiations. Included were factors such as: daily aircraft schedules, positioning and depositioning of aircraft and replacement crew members; dual crew utilization in terms of aircraft hours and in percentage of missions; daily aircraft use rates (average daily hours per aircraft) and impact on probable hours per year per pilot in single-pilot mission programs;

Utilization factor for personnel working dual-crew missions; and yearly time-loss rates on aircrew members due to vacations, illness, training, positioning and depositioning time.

b. The contractor developed data yielding a total requirement of 42 pilots exclusive of attrition. This was developed as follows:

(1) Pilot availability (42 pilot group)

Days in year 365 x 42 15,300

Less:

Vacation days:	34 x 42 =	1,428
Illness days:	5 x 42 =	210
Training days:	10 x 42 =	420
Up country crew changes:	10 x 42 =	420
Total days absence:	59 x 42 =	<u>2,478</u>

% Absence: 2,478 divided by 15,300 = 16.16%
Days/year absent: 365 x .1616 = 59.2
Number of months avr pilot is available to fly = 10

(2) Hours available: 10 x 89.5 = 895 per pilot per ye

(3) Daily aircraft use rate
Aircraft in daily use = 18
(27,060 divided by 18) (365) = 4.12 hours per day per aircraft.

(4) Annual pilot hour expectation:

For basic pilot: 895 hours
For dual crew pilots: 700 hours

(5) Pilot Requirement:

(a) Basic pilots: 27,060 divided by 895 =
30.23 basic pilots

(b) Dual crew pilots: 1775 x 4 = 7,100 hrs
10% surge = 710 hrs
Instructor pilot time = 735 hr:

Total: 8,545 hrs

8,545 divided by 700 = 12.20
pilots

(c) Proposed as 30 plus 12 pilots

(d) Attrition pilots proposed as 6

(e) Total: 48 pilots

c. The Government determined that a force of 40 pilots, excluding attrition, could meet the single-crew and dual crew functions. The attrition factor was set at 5 pilots. The negotiator noted that the contractor's lost-time computation reflected vacation time loss of 34 days per year per man. However, Thai pilots earn 18 days vacation per year. This and other factors were used to develop a Government objective of 40 pilots, as follows:

(1) Pilot availability (40 pilot group)

Days in year: 365 x 40 = 14,600

less: time loss - Americans 59 x 31 = 1,829
time loss - Thais 43 x 9 = 387

Total: 2,216

% Absence: 2,216 divided by 14,600 = 15.18%

Days/year absent: 365 x .1518 = 55.4

Number of months pilot available

= 12 - (55.4 days divided by 30) = 10.15 months

(2) Hours available: 10.15 x 89.5 = ~~908.15~~ per pilot
per year

(3) Daily aircraft use rate = 4.12 hours

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(4) Annual pilot hour expectation:

(a) For basic pilots: 909

(b) For dual crew pilots: 760

(89.5 x 8.5 mo av use = 760)

(5) Pilot requirement:

(a) Basic pilots:

27,060 hrs per yr divided by 909 = 29.77 pilots

(b) Dual crew pilots

Req = 1775 x 4 = 7,100 hrs

IP time = 735 hrs

7,835

7,835 divided by 760 = 10.31 pilots

(c) Government position: 30 pilots plus 10 pilots plus 5 attrition pilots. Total of 45 pilots.

d. During negotiations, the Government stressed that it felt that the pilot force set forth in the Government position represented a reasonable force structure. The Contractor stressed that, regardless of the flying hour program set forth in the contract, the Government's current aircraft utilization rate meant that more pilots were needed. An associated point raised by the contractor was that by reducing the pilot force to the Government figure, the contractor would not be able to provide rapid response should the flying hour program expand. The Government response was that it was only interested in negotiating prices based on the known program. The Government further stated that in sharing certain performance risk unknowns, it had provided a guaranteed minimum for dual-crew hours and was pricing in costs for extra pilots to cover attrition during FY 72. The Government requested that the Contractor review the entire Government approach to manning and pricing the UH-34 program. After lengthy and detailed additional discussions, the Contractor accepted a 45-man pilot force.

2. Flight Mechanic Requirements

a. The contractor accepted a flight mechanic group of 30 as proposed by the Government.

3. Price Adjustment - Area Operations

a. The contractor proposed a revision to contract language regarding area operations pay. The intent of the proposal was to establish repricing in the event that the project operations pay rates and percentages, as set forth in the FEPA agreement, increase or decrease.

b. The contractor provided copies of other US Government contracts, contract AID 439-713 and contract AID VN-100, which contained language similar to that set forth in the proposal.

c. After additional discussion, the Air Force team accepted price adjustment language for area operations pay.

4. Over Minimum Flying Hour Program

a. For the first quarter of FY 72, the Contractor noted that the Government could require UH-34 flight requirements in excess of the 615 hour over-minimum surge factor set forth in the manning. Concurrently, the contractor stated that it was willing to provide, at the over-minimum price, all flying hours needed during the first quarter.

b. The Government accepted.

F. Negotiation Savings

1. 0 - 6,150 flying hours per quarter. Negotiations resulted in a \$10.10 per hour reduction from the contractor's proposal. At a total of 24,600 hours in FY 72, this yielded a reduction of \$248,460.

2. Over 6,150 hours per quarter. Negotiations resulted in a \$0.50 per hour reduction from the contractor's revised proposal. At an estimated 3,000 hours for FY 72, this yielded a reduction of \$1,500.

3. Area operations. Negotiations resulted in a \$0.68 per hour reduction from the contractor's proposal. For the contract minimums this yielded a reduction of \$16,728. For the over-minimum hours, the reduction was \$1,040.

4. Demobilization costs. The reduction totaled \$89,876 from the contractor's revised proposal.

5. Dead head pay. Negotiations resulted in a \$1.85 per hour reduction for Americans and a \$0.61 per hour reduction for Thais. At an estimated 4,650 hours for Americans and 1,450 hours for Thais (12.5 hours per month per man), the reduction totaled \$9,487.

6. Trip Hour Pay. Negotiations resulted in a \$0.68 per hour reduction for Americans and a \$0.24 per hour reduction for Thais. At an estimated 5,400 hours for Americans and 1575 hours for Thais (14.5 hours per month per man), the reduction totaled \$4,050.

7. Total negotiated savings are an estimated \$371,141.

G. Summary

1. The FY 72 flying hour prices are greater than those for FY 71. The primary reasons are: (a) increased crew salaries for calendar years 1971 and 1972, as set forth in the FEPA agreement dated 16 March 1970; (b) increased allocation of UH-34 base support cost per flying hour, due to the reduced FY 72 flying hour program.

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2. The negotiations yielded prices either within a narrow range of the Government objectives or directly at the objective. All prices negotiated are considered fair and reasonable.

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XV. FLYING SERVICES - ADDITIONAL FLIGHT PERSONNEL (ITEM 3)

A. Negotiation Period

3 to 4 Sept 1971

B. Background

Contract Item 3 provides for additional flight personnel when needed to support aircraft flying services on both Government furnished and contractor furnished aircraft. Personnel utilized in addition to the normal aircraft flight crew (defined in the contract schedule) are billed under the additional flight crew provisions. All prices are paid per aircraft flying hour.

C. Proposal, Objective, and Negotiated Amounts

1. Udon Based Flight Personnel:

	<u>Contractor Proposed Price Per Hr</u>	<u>Government Objective</u>	<u>Negotiated</u>
Normal Flying Hour: ¹ & 3			
Captain UH-34 Acft (A/Dt)	\$44.30	\$43.46	\$43.50
Captain Fixed Wing Acft American (A)	46.61	45.94	45.99
Captain Fixed Wing Acft Thai (Dt)	14.99	14.77	14.79
First Officer (A)	31.70	31.25	31.25
First Officer (Dt)	10.00	9.86	9.86
Flt Mechanic (A)	23.51	23.18	23.18
Flt Mechanic Filipino(B)	9.92	9.78	9.78
Flt Mechanic (Dt)	5.32	5.24	5.24
Night Time Hour: ¹ & 3			
Captain (A)	4.74	4.66	4.66
Captain (Dt)	1.46	1.43	1.43
First Officer (A)	2.53	2.49	2.49
First Officer (Dt)	.88	.86	.86
Area Operation Hour: ² & 4			
Captain UH-34 Acft (A/Dt)	13.56	13.50	13.50
Captain Fixed Wing Acft (A)	15.50	15.42	15.42
Captain Fixed Wing Acft (Dt)	5.82	5.78	5.78

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First Officer (A)	\$15.50	\$15.42	\$15.42
First Officer (Dt)	5.82	5.78	5.78
Flt Mechanic (A)	8.30	8.26	8.26
Flt Mechanic (B)	5.54	5.51	5.51
Flt Mechanic (Dt)	2.93	2.91	2.91

Dead Head Hour:¹ & ⁴

Captain (A)	24.27	22.42	22.42
Captain (Dt)	8.79	8.18	8.18
First Officer (A)	18.17	16.58	16.58
First Officer (Dt)	6.63	6.13	6.13

2. Udorn Ground Personnel Assigned Flight Duties:

	<u>Contractor Proposed Price Per Hr</u>	<u>Government Objective</u>	<u>Negotiated</u>
Normal Flying Hour: ² & ⁴			
Category A	\$ 2.46	\$ 2.45	\$ 2.45
Category B	2.40	2.39	2.39
Category C (Chinese)	2.40	2.39	2.39
Category Dt	2.40	2.39	2.39
Area Operation Hour: ² & ⁴			
Category A	5.99	5.95	5.95
Category B	3.59	3.57	3.57
Category C	3.59	3.57	3.57
Category Dt	1.44	1.43	1.43
Functional Check Flight Hour: ² & ⁴			
Category A	6.15	6.12	6.12
Category B	5.99	5.95	5.95
Category C	5.99	5.95	5.95
Category Dt	5.99	5.95	5.95

3. Bangkok Based Flight Personnel:

Normal Flying Hour:¹ & ³

Captain (A)	52.17	51.22	51.22
First Officer (C)	21.64	21.25	21.25

Night Time Hour:

Captain (A)	\$ 4.98	\$ 4.91	\$ 4.91
First Officer (C)	1.15	1.12	1.12

Dead Head Hour:

Captain (A)	18.63	18.30	18.30
First Officer (C)	6.99	6.85	6.85

NOTES:

- ¹ Contractor proposed prices based on cost plus 14.3% of profit (on costs).
- ² Contractor proposed prices based on cost plus 12.5% of profit (on costs).
- ³ Government objective based on DCAA accepted costs plus 13.3% of profit (on costs).
- ⁴ Government objective based on accepted costs plus 12.5% of profit (on costs).

D. Major Discussions

1. Dual crew provisions, UH-34 aircraft. The Government and the Contractor concurred in adding language to Exhibit "C" of the contract guaranteeing payment for a minimum of 1,775 dual-crew UH-34 flying hours.

2. Composite pricing rates, UH-34 aircraft. The Government and the Contractor concurred in pricing UH-34 dual-crew captain prices at a composite rate for American and Thai pilots. It was determined to be feasible for both the normal flying hour and area operation line elements.

E. Negotiation Savings

The estimate of negotiated savings is based on estimated use factors for the above elements. Total estimated reduction from the contractor's proposed pricing is \$9,500. This includes \$5,680 savings at the dual crew captain flying hour rate, \$425 savings in UH-34 captain area operations rate, and \$2,405 savings in the dead head hour rate.

F. Summary

1. Of the 42 subitems under Item No. 3 of the contract, the FY 72 breakout is as follows:

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- a. Identical to FY 71 prices - 3
- b. Less than FY 71 prices - 10
- c. Greater than FY 71 prices - 21
- d. New, not set forth in FY 71 - 8

2. The 21 increases are primarily due to wage increases for calendar years 1971 and 1972 as set forth in the FEPA agreement issued 16 March 1970.

3. Of the above 42 subitems, 39 were negotiated at the Government objective. The remaining 3 subitems were within 0.1 per cent of the objectives. All negotiated prices are considered fair and reasonable.

XVI. UH-34 FUNCTIONAL CHECK FLIGHT/GROUND ROTOR ENGAGEMENT DIVISION
(ITEM 20)

A. Negotiation Period

1 through 2 Sept 1971

B. Background

Contract line item 20 provides for FCF/GRE teams at Udorn to perform required functional check flights and ground rotor engagements on UH-34 aircraft. Pricing for FY 71 was based on a team consisting of four pilots and four flight mechanics. One of the pilots served as manager of the FCF/GRE division. For FY 72, the contractor proposed a team consisting of four pilots and five flight mechanics. Government technical analysis ultimately developed a team composition of four pilots and four flight mechanics. Item 20 is priced on a fixed price per month basis.

C. Proposal, Objective, and Negotiated Amounts

FCF AND GRE DIVISION: FIXED PRICE PER MONTH

	<u>Contractor Proposal¹</u>	<u>DCAA²</u>	<u>Objective²</u>	<u>Negotiated²</u>
Personnel Costs:				
Manager	\$ 3,289	\$ 3,289	\$ 3,289	
Pilots (3 each)	8,049	8,049	8,049	
Flt Mechanics	2,066	1,760	1,760	
Subtotal	<u>\$13,404</u>	<u>\$13,098</u>	<u>\$13,098</u>	
Common Pool G&A	858(6.4%)	759(5.8%)	759(5.8%)	
SUBTOTAL	<u>\$14,262</u>	<u>\$13,857</u>	<u>\$13,857</u>	
PROFIT	2,038(14.3%)	N/A	1,843(13.3%)	
PRICE	<u>\$16,300</u>		<u>\$15,700</u>	<u>\$15,700</u>

1. Based on 4 American pilots, 3 Thai and 2 Filipino flight mechanics.
2. Based on 4 American pilots, 2 Thai and 2 Filipino flight mechanics.

D. Discussions

The contractor accepted four flight mechanics as determined by Government technical analysis. After the number had been agreed to, the contractor proposed a mix of two Thais and two Filipinos. The Government concurred.

E. Negotiated Savings

The negotiated fixed price for Item 20 is a \$600 per month reduction from the contractor's price proposal. This yeilds a net FY 72 savings of \$7,200.

F. Summary

The negotiated FY 72 price is a reduction of \$310 per month from the FY 71 price. This is due to a change in the nationality mix of the flight mechanic complement from that established for FY 71. Further, the negotiated price was the Government objective. The negotiated price is considered to be fair and reasonable.

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XVII. LOGISTICS MANAGEMENT ASSISTANCE TEAM (LMAT) (ORDER 0007)

A. Negotiation Period

7 through 11 Sept 1971

B. Background

1. Order 0007, as issued for FY 71, involved maintenance assistance team (MAT) services by a nine-man team operating at one SEA location. For FY 72 the Government requested conversion of the team from maintenance assistance to one capable of providing logistics management assistance. The implementation date for the converted team was to be established during negotiations.

2. The using organization prepared a draft specification in late July 1971 for Government and Contractor review. The work elements and team composition were discussed 6 August 1971 during a joint Government/Contractor meeting held in Saigon. Two on-site surveys were held in early and mid-August. In late August the contractor prepared a revised work specification, with proposed manning of 3 Americans, 10 Third Country Nationals (TCN), and 1 Local National (LN) interpreter. The Government utilized the proposed specification to further develop a refined work statement. Agreements reached as to manning, specifications, and implementation date are set forth within the rest of this Section XVII.

3. The contractor submitted a pricing proposal after agreement was reached on specifications, manning and phase-in/implementation date. Prices were negotiated on a fixed monthly price basis.

C. Proposal, Objective and Negotiated Amounts

	<u>Contractor's Proposal</u>	<u>DCAA</u>	<u>Air Force Objective</u>
1. <u>Monthly Price: Jul-Sep 71</u> ¹			
Salary & allowances	\$4,839	\$4,839	\$4,839
Per diem/other expenses	708	675	675
Subtotal	<u>\$5,547</u>	<u>\$5,514</u>	<u>\$5,514</u>
Common pool G&A	344(6.2%)	320(5.8%)	320(5.8%)
Total Cost	<u>\$5,891</u>	<u>\$5,834</u>	<u>\$5,834</u>
Profit	842(14.3%)	N/A	776(13.3%)
Price per Month	<u>\$6,733</u>	N/A	<u>\$6,610</u>
			<u>Negotiated: \$6,625</u>

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2. Monthly Price: Nov 71-Jun 72²

Period Costs:

TDY of Sr Contractor Rep	\$ 2,337	\$2,337	
PCS Transportation	899	899	
Personnel effects shipment	7,425	2,840	
Per diem/other PCS expense	1,451	1,451	
Total for Period	<u>\$12,112</u>	<u>\$7,527</u>	<u>\$7,527</u>

Nov 71-Jun 72 Monthly Costs:

Monthly amortization of period costs	\$ 1,425	\$ 886	\$ 886
Salary & allowances	10,534	10,534	10,534
Projected pay increases	210(2.04%)	210(2.04%)	210(2.04%)
Subtotal	<u>\$12,169</u>	<u>\$11,630</u>	<u>\$11,630</u>
Common pool G&A	754(6.2%)	675(5.8%)	\$ 675(5.8%)
Total Cost	<u>\$12,923</u>	<u>\$12,305</u>	<u>\$12,305</u>
Profit	2,281(17.7%)	N/A	1,636(13.3%)
Price per month	<u>\$15,204</u>	N/A	<u>\$13,941</u>

Negotiated: \$14,400

Contractor's Proposal

Air Force Objective

3. Monthly Price: Oct 1971³

Price: Jul-Sep 71	\$6,733	\$6,610
One-half Nov 71-Jun 72 price	7,603	6,971
Oct 71 price	<u>\$14,335</u>	<u>\$13,581</u>

Negotiated: \$13,825

- NOTES: 1. Based on carry-over of FY71 team (9 men).
2. Based on: new team of 3 Americans, 9 Third Country Nationals, and 2 Local Nationals; amortization of PCS costs for new members and TDY of initial senior contract representative.
3. Based on phasing-in new team effective 15 Oct 71 with overlap through 31 Oct 71 of initial team.

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D. Major Discussions

1. Work specification, team manning and implementation

a. Several days were spent in joint development of the LMAT work specification. The manning established for the team provided for FCS assignment of 3 Americans, 9 Third Country Nationals and 1 local national interpreter, with an effective date of 16 Oct 1971 for implementation.

b. The contractor proposed that a senior company official would be designated as the senior contractor representative (SCR) during the initial LMAT set-up period. This person would be assigned to the LMAT on a TDY basis. After the LMAT was fully established, the TDY SCR would return to his permanent location and the senior on-site LMAT member would move up to the SCR position. The TDY SCR would be priced on the basis of per diem and transportation costs for an estimated 90-day period (his monthly salary is priced into another portion of the basic contract). The Government accepted the SCR proposal.

c. The company proposed that pricing include a LN clerk in addition to the 12 permanent LMAT personnel. The Government concurred.

d. For October, both sides agreed that overlap between the old and the new team members was essential to an orderly transition. Therefore, while the LMAT would be effective 16 Oct 71, the on-board MAT personnel would stay for several weeks to assist the new team.

e. LMAT final composition (AFSCs and titles are used as a guide to qualification levels).

- (1) Temporary SCR - American (A)
- (2) Aircraft maintenance superintendent - AFSC 43191-(A)
- (3) Aircraft maintenance superintendent - AFSC 43191-(A)
- (4) Material facilities superintendent - AFSC 64790-(A)
- (5) Jet engine/reciprocating engine technicians - AFSC 43270/43271 - (TCN)
- (6) Sheet metal technician - AFSC 53370 - (TCN)
- (7) Weapons technician - AFSC 46270 - (TCN)
- (8) Communication electronics systems superintendent/
aircraft radio technicians - AFSCS 30194/30170 - (TCN)
- (9) Aircraft electrical repair/instrument repair
technician - AFSCs 42370/42270 - (TCN)
- (10) Aircraft maintenance technician - AFSC 43171 - (TCN)
- (11) Training team technician - AFSC 75172 - (TCN)
- (12) Aerospace ground equipment repair technician -
AFSC 42173 - (TCN)
- (13) Maintenance scheduling technician - AFSC 43370 - (TCN)
- (14) Interpreter - (LN)
- (15) Clerk - (LN)

f. Therefore, monthly pricing and manning was established as follows:

- (1) Jul-Sep 71. 9 man MAT personnel
- (2) Nov 71-Jun 72. 12 man LMAT personnel, 2 LNs (interpreter and clerk) and the initial SCR.
- (3) Oct 71. MAT monthly price plus one-half the LMAT monthly price.

2. Helicopter technician

The contractor requested that the Government consider adding a TCN helicopter technician. The TCN would provide services currently obtained under a technical representative contract with a major aircraft company. Air America stated that the proposed TCN would provide the same service at substantially lower cost, with additional benefits of simplified administration and a single-team approach. The customer representatives attending negotiations stated that they did not want to interrupt the current technical representative program, but would consider the Air America proposal in any FY 73 follow-on program.

3. Provision for TDY of LMAT members

The Government requested that provision be made for TDY of LMAT members to other sites. Utilization of this provision was expected to be minimal. It was agreed to provide language in the order to do this, with payment for the contractor's per diem costs thereto.

4. Payment of station allowances in local currency

a. The inflation problem at the LMAT site is serious, with an economy where subsistence and housing prices are greatly inflated (using a "world rate" rather than the official exchange rate for U.S. dollars). The American embassy has directed that all American personnel, including contractors, exchange U.S. dollar instruments at the official exchange rate.

b. The contractor's personnel manual, and order 0007 pricing, provides payment of station allowances to their employees at specified monthly rates by location and nationality. Use of the official exchange rate by LMAT personnel, without an increase in the amount of the station allowance, would result in a substantial pay reduction to each employee. A method was established to maintain the buying power of the station allowance while using the official exchange rate. The procedure involves computation of a conversion factor, based on published sources, between the official rate and the "world rate". The conversion factor is used to develop the total U.S. dollar outlay needed for LMAT station allowances. All conversion costs in excess of the regular station allowance allocation are reimbursed at the contractor's cost. The potential cost impact for FY72 is an estimated \$40,000. The American Embassy, by message, concurred with the need for the procedure. Appropriate contract language was developed and included in Order 0007.

5. Special provisions

Agreement was reached to incorporate special provisions, comparable to those in the basic contract, into Order 0007. Inclusion in Order 0007 was designed to make all aspects of the order known to all recipients. The special provisions involved taxes and duties, duty free import for contractor's property, entry/exit permits and visas, medical care for contractor personnel, and base support (limited exchange, Class VI store, APO and commissary privileges).

6. Contractor mail channels

The contractor was advised that it could route official company mail and other documents through an APO address. The address was provided.

7. Government assistance

Customer representatives agreed to provide assistance to the contractor regarding personal vehicles, importation of personal property, teletype circuits and use of space-available airlift. In addition, Udorn Det 11 AFCMC personnel would assist in obtaining limited base exchange cards for American personnel.

8. Profit

a. The Government noted that the proposal for the Nov 71-Jun 72 period contained a proposed profit of 17.7 per cent of cost. When questioned, the contractor stated that the higher rate was due to acceptance of increased performance risk as well as possible cost increases for hazardous duty wages (not provided for in the pricing). The contractor also stated that the proposed costs for the local national employees could be understated, as it had used average costs and might have to pay more to obtain the needed skill level.

b. The Government stated that it did not feel that the performance risk for Order 0007 was appreciably greater than for other aspects of the contract. The Government continued to use a profit factor of 13.3 per cent of cost (which was not disclosed to the contractor).

E. NEGOTIATED SAVINGS

The negotiated prices resulted in a fixed monthly price totaling \$148,900. This is a reduction of \$7,266 from the contractor's proposed pricing.

F. SUMMARY

a. The FY 72 LMAT price is a substantial increase over the Jan to Jun 1971 price. The increase is solely due to increased personnel and to wage levels paid for the higher skill levels involved in the LMAT program.

b. The negotiated FY72 prices are determined to be fair and reasonable.

XVIII. OTHER ITEMS

A. Reimbursement Rate for Udorn DSLH

The primary customer for the Udorn maintenance base is DepChf JusMag (DepChf). DepChf has provided the majority of funds needed to build the Udorn facility. DepChf authorizes other US Government customers, and the contractor, to utilize the Udorn maintenance facility. In return thereto, the Customers reimburse DepChf for a portion of the Udorn base O&M costs. Reimbursement is obtained via an increased DSLH rate for non-DepChf users of the facility. This rate is established by DepChf. The differential between the basic DSLH rate and the reimbursement rate is credited against the price for DepChf work. For FY 72 the reimbursement rate per Udorn DSLH is \$3.80 per hour, or a differential of \$1.35 per hour. The contractor pays the full \$3.80 rate.

B. C-7A and C-123 Specifications

1. Prior to negotiations, extensive review had been accomplished on WRAMA-developed work, supply, and safety Appendices A, B, and C covering C-123 aircraft (Order 0001) and C-7A aircraft (Order 0002). After initial contractor and ACO review, comments were forwarded to WRAMA by the PCO, after SMAMA IGY review. WRAMA prepared revised Appendices A & B. Negotiations resulted in contractor acceptance of the revised specifications.
2. Together with discussions on specifications, the Government requested addition of the Report of Government Furnished Material (GFM) to both orders. The contractor concurred.
3. SMAMA advised, during negotiations, that revised Appendix Cs had been received and were being mailed to Taipei. The documents did not arrive prior to the close of negotiations. The appendices will be added to the orders after final agreement is reached with the contractor.
4. As Appendix C deals with safety, upon implementation in the orders the Government will delete the existing attachment "12" (Safety) and substitute therefor the Appendix Cs as they provide an up-dated and more comprehensive safety requirement.

C. Supply Instructions for DepChf-managed Aircraft

Supply procedures for T-28, UH-34, O-1, and U-17 aircraft had been included in three separate documents attached to the basic contract. DepChf, in conjunction with the Det 11 Udorn plant office, developed a consolidated supply procedure. The proposed document was reviewed by AFLC and APCMC prior to final revision. This document was successfully negotiated with the contractor for implementation. Concurrently, the contractor accepted contract language adding GFM reporting for T-28, UH-34, O-1, and U-17 aircraft.

D. Contractor Proposed Language - Employee Conflict of Interest

1. The contractor proposed contract language to add employee

conflict of interest prohibitions, as follows:

"Conflict of Interest"

Other than work to be performed under the contract for which an employee is assigned by the Contractor, no employee of the Contractor shall engage, directly or indirectly, either in his own name or in the name or through the agency of another person, in any business, profession, or occupation in Laos, Cambodia, Thailand, Vietnam, Hongkong and Taiwan, nor shall he make loans to or investments in any business, profession, or occupation in said places except as specifically approved in writing by the Government and the Contractor."

2. The proposed language is based on Air America's Personnel Manual provision on this subject (which provides for approval only by the contractor). Furthermore, the language is identical (substituting "Government" for "USAID") to language included in Air America's USAID contracts for South East Asia.

3. Air Force procurement and legal office personnel did not concur with the proposed language. Basic reasons were as follows:

a. The proposed language involves the Government directly in approving or disapproving employee activities which are not related to contract performance.

b. The Air Force has executed its contract with Air America. The hiring of personnel, as well as any agreements between the company and its employees are functions of the company above in performing the contract. The proposed language involves company-developed procedures for exercising control over the "extra-curricular" activities of its employees. These activities, as pertaining to employee investments and/or loans to businesses, professions and occupations in the theatre of employment, appear unrelated to the matter of contractor performance under the contract. Furthermore, as explained to the contractor, adoption of such language could be considered as bordering on elements associated with personal services contracts (which are beyond the authority of the Air Force PCO to issue).

c. The contractor's personnel manual is incorporated into the contract by reference. Therefore, Air Force personnel felt that the contractor could make reference to subject provisions (which involve only the company and its employees) in further publicizing the company policy on this matter.

4. Discussions on this subject were concluded after Air Force personnel presented the above comments.

E. Contractor-proposed Language - Price Adjustment-Foreign Currency Valuation

1. The contractor proposed contract language providing for a price adjustment in the event that foreign currency (used in payment of local expenditures) is revalued plus or minus 10 percent in relation to US dollars. The contractor's proposed language was based on language included in two Ogden Air Material Area (OOAMA) contracts (F42600-72-C-0003 and F42600-72-C-0310) submitted to AFLC for approval. Both contracts contained the following special provision:

"J-22 (2) The prices set forth in this contract contain negotiated cost elements expressed in United States Dollars at official exchange rates agreed to between the Contractor and the Government representing expenses in currencies other than United States Dollars. The parties agree that should there be an increase or decrease in excess of 10 percent in such official exchange rates the Contractor or the Government shall be entitled to an equitable adjustment of contract prices in accordance with the procedures set forth in the clause of the General Provisions entitled "Changes". Official exchange rate in effect at the time of this agreement is ~~20.80~~ to \$1.00 USA."

2. The negotiation team, after review of current information pertaining to possible changes in the international currency valuation structure, concurred with the need to include appropriate language in the contract. Language was developed with the understanding that SMAMA would not implement same unless Hq AFLC approved the two OOAMA contracts. The negotiated special provision language for contract F04606-71-C-0002 was as follows:

"Part VII. ak. Price Adjustment - Foreign Currency Valuation

The Prices set forth in this contract contain negotiated costs elements expressed in United States Dollars at an exchange rate of 20.80 Baht to \$1.00 USA, representing expenses in currencies other than United States Dollars. The parties agree that should there be an increase or decrease in excess of 10 percent in such exchange rate, the Contractor or the Government shall be entitled to an equitable adjustment of contract prices in accordance with the procedures set forth in the clause of the General Provisions entitled 'Changes'."

3. Subsequent to completion of negotiations, SMAMA was advised that Hq AFLC had approved the OOAMA contracts.

F. Contractor Compliance with Executive Order No 11615 (Instituting a Freeze of Prices, Compensation and other Matters)

1. The contractor stated that, after the 15 Aug 1971 announcement of the President's Executive Order, it, via it's home office in Washington, D.C., had received various responses to the applicability of the order to Air America. One message stated that:

"a. Office of Emergency Preparedness informed home office that price for services furnished one US Company by another US Company outside US and Puerto Rico customs zones was not, repeat not, subject to President's Executive Order.

b. Any wage increase approved and implemented on or before fourteen August are not affected. Wage increases approved on or before fourteen August but not effective fifteen August or later are affected and are not permitted. Wage increase as result of promotion to different job level with increased responsibilities is permissible. These provisions apply only to US Citizens and not to employees not subject to US income tax provisions."

2. In accordance with Defense Procurement Circular No 91, the contractor issued instructions to personnel at field locations that, effective immediately, all invoices issued under DOD contracts will have the following certification typed on the face of the invoice:

"I hereby certify that amounts invoiced herein do not exceed the lower of (1) the contract price, or (2) the maximum levels established in accordance with Executive Order 11615, dated August 15, 1971."

3. The contractor stated that the following actions had been taken and policy guidance issued by the Director of Personnel (DP) to assure compliance with the Executive Order:

a. All salary increases for US nationals that were not approved by the Director of Personnel (DP) on or before 14 August 1971, have been frozen.

b. The Contractor froze all salary increases for US nationals where the effective date of the increase is after 14 August 1971, regardless of the date the salary increase was approved.

c. Automatic increases to US nationals in the area of longevity increases for aircrew members earned after 14 August 1971 were frozen. The Contractor issued a letter to the FEPA Chapter Presidents and FEPA President, stating that all longevity increases set forth in the FEPA Agreement have been suspended for a period of 90 days and thereafter as required by further regulation or order issued by the US Government.

d. Promotion to a different position level with increased responsibility would be permissible regardless of nationality.

e. Request for salary increases for indigenous employees are not affected and would be processed routinely.

f. Salaries for newly hired US national employees would not exceed the average salary currently paid to existing employees in the same classification.

g. No increase in position allowance for US national employees would be made during the freeze period.

4. The contractor agreed to provide any further guidance received from the office of Emergency Preparedness.

G. ACO communications with Contractor Field Offices.

During negotiations, the Government stated that some difficulty had been noticed regarding contractor field office response to ACO communications. The Government noted that, as work under the contract is performed at locations other than Udorn, it is necessary for the ACO to have a direct communications channel to each responsible base manager. After discussion, the contractor agreed to research the problem and develop appropriate procedures to clarify lines of communications.

**CITATION: Kaufman, Box 1, Folders 4, 8, 9, 10, 11, 12,
Eugene McDermott Library, Special Collections
Department, The University of Texas at Dallas.**

PACIFIC CORPORATION SUMMARY OF AIR AMERICA FLYING & SUPPORT SERVICE CONTRACTS

The enclosed two-page document was included in a Pacific Corporation prospectus developed in mid-1973 in an effort to sell off the assets and transfer contract operations to other vendors.

I obtained the document in 1973.

Of interest is that the Corporation apparently sold off the Air Asia facility in Taiwan to E-Systems. To my knowledge, that may have been the only sale that came from the effort.

Martin L. Kaufman

MARTIN L. KAUFMAN, Colonel, USAF 14 April 1991
former Contracting Officer
USAF Air America Contracts