**PRICE NEGOTIATION MEMORANDUM**

**1. SUBJECT: Termination for Convenience, F3XXXX-03-MXXXX**

1. Contract Title: Water/Sewage Truck Rental
2. Contractor’s Name and Address: ABC Rental Company

 Attn: Bill Smith

 P.O. Box 1234

 Country Z

1. Date Prepared: 10 June 2003
2. Buying Activity: XXX Expeditionary Contracting Squadron/XXX ECONS
3. **INTRODUCTORY SUMMARY:**
	1. This acquisition provides Water/Sewage Truck Rental service for XXX ECES. The vehicle was modified to allow a water spray system for road and parking area dust control. Additionally, the vehicle provides emergency sewage storage/transportation. Termination for convenience is to occur, as services are no longer required due to base draw down and closure. This document summarizes the government’s and Contractor’s negotiations for termination costs and final payment issues.
	2. Type of Funding: Funding will be charged to a local area form 9 currently obligated to the contract with remaining, available funds. A deobligation of remaining funds will also be executed in this modification.

# PARTICULARS:

1. Purchase Request Number used for termination costs: FS12345678

 Date PR Received: 5 Mar 03

1. Date Termination Letter was issued: 28 May 03

 Date Proposals was received: 3 June 03

1. The following individuals evaluated this acquisition.

 Capt John Doe, Contracting Officer

 1Lt Adam Smith, Contracting Officer

 TSgt Jane Doe, Contracting Officer

**4. NEGOTIATION:**

1. Governments target range: XXXX – XXXX OMR

Government target price: XXXXX OMR (3 months rental service with repairs)

Repairs: Remove water sprayer system, XXXXXX OMR est.

 Repaint as needed, XXXX OMR est.

 Replace 3 tires, XXXX OMR (XXXX OMR each)

1. Negotiations started on 4 Jun 03 and continued through 10 Jun 03 between Mr. Smith of ABC Company and TSgt Doe for the Government. Initial verbal request for full payment, XXXXX OMR, was based on previous contract # F3XXXX-02 –MXXXX that incorporated ABC Company terms into the contract. After discussions on current contract terms the following proposal was received from ABC Company and agreed to by the Contracting Officer:

## **ITEM KTR PROPOSAL** (OMR) **GOV’T OFFER** **NEGOTIATED**(OMR)

Vehicle Registration XXXX OMR No Counter Offer XXXX OMR

Vehicle Insurance XXXX OMR No Counter Offer XXXX OMR

Repaired Tires XXXX OMR No Counter Offer XXXX OMR

Current Repairs XXXX OMR No Counter Offer XXXX OMR

June Rental XXXX OMR No Counter Offer XXXX OMR

G & A XXXX OMR No Counter Offer XXXX OMR

Total XXXX OMR

1. Vehicle Registration: The Water/Sewage truck was registered on 30 Mar 03 for the full term of the contract and is a direct cost associated to this contract. The price requested for this charge is reasonable as the Country Z Government sets the registration rates for vehicles. The government accepts the contractor’s proposal for this cost.
2. Vehicle Insurance: The Water/Sewage truck was insured on 27 Mar 03 for the full term of the contract and is a direct cost associated to this contract. The price requested for this charge is reasonable as adequate competition in the area establishes insurance rates for vehicles. The government accepts the contractor’s proposal for this cost.
3. Repaired Tires: The tires were damaged while the vehicle was in the government’s control. The damage is not considered fair wear and tear due to the fact that driving off the asphalt road and rubbing the tire against the edge of the asphalt caused the damage. This prematurely wears out the tires sidewalls. The price requested for this charge is reasonable as adequate competition in the area establishes rates and the vendor receives an additional discount at DEF Trading. The government accepts the contractor’s proposal for this cost.
4. Current Repairs: See paragraph c) for tire charge explanation. Bumper damages occurred while the vehicle was controlled by the government but not reported to the COUNTRY Z Police. Damages to vehicles not reported to the COUNTRY Z Police or do not have a COUNTRY Z Police accident report are not covered by insurance policies. The price requested for this charge is reasonable, as damage will require replacing support brackets, heavy welding and painting. ABC Company will be completing the repairs in-house to avoid higher labor rates and transportation costs. The government accepts the contractor’s proposal for this cost.
5. June Rental: This charge is incurred because the vehicle was released to the contractor after 24 May 03. The contract states performance period is 25 Mar 03 to 24 Mar 03 and the payments are made on a monthly basis (e.g. 25 Apr – 24 May 03). The vehicle was released on 31 May 03 after we entered into the next payment period. This charge is considered fair and reasonable based on adequate competition prior to the award of the contract. The government accepts the contractor’s proposal for this cost.
6. General and Administrative Expenses: This charge covers all remaining costs associated with recovering and reconstitution of the vehicle. The government accepts the contractor’s proposal for this cost.
	* 1. **SUMMARY OF NEGOTIATIONS:**
7. The contractor’s proposals for each item are determined fair and reasonable. The contractor provided supporting documentation for their termination costs although not required. Their justification for each cost is reasonable for a termination for convenience.
8. ABC Company will be granted their requested termination costs. As the contractor’s figure was less than the government’s target price, the contractor’s proposal was acceptable. In addition, the contractor understands the terms and conditions of termination for convenience and final payment.
9. The performance of ABC Company has been excellent up to this point, therefore no penalties, liquidated damages, or poor impressions of their business need to be taken into consideration. They have performed very well. In rating this contractor for this acquisition, though past performance is not a factor, it does demonstrate that the government’s termination is solely for convenience, and therefore they would be rated with an exceptional.

**6. OTHER FACTORS:**

* 1. As a result of this termination, deobligation of funds for the months in which services will not be rendered is necessary. This is estimated to be a deobligation in the amount of X,XXX OMR.
	2. As a result of the negotiations and deobligations, the total cost of the contract is X,XXX OMR.

 **7. CONCLUSION:**

Based on the information in this report, it is hereby determined that prices submitted by ABC Company are determined to be fair and reasonable and in the best interest of the Government.

Prepared By: Approved By:

JANE E. DOE JOHN M. DOE

Contracting Officer Contracting Officer

Date: 10 June 2003 Date: 10 June 03