



**UN PROCUREMENT DIVISION**

**Transition in Solicitation Methodology for Long-Term Air Charter Requirements**

**DOCUMENT #1 - SUMMARY OF ICAO'S MAIN RECOMMENDATIONS**

**19 July 2013**



## Introduction (1/2)

- In the perspective of its transition in solicitation methodology for the provision of long-term air charter requirements in support of Field Missions, the UN requested the assistance of ICAO in 2012



**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
*A United Nations Specialized Agency*

- As a result of the study, ICAO recently delivered a series of recommendations, which are currently under review by UN senior management





## Introduction (2/2)

- Among ICAO's recommendations are the following 7 key measures, which are hereby being brought to the attention of UN current and potential vendors for collection of their feedback
  1. New definition of requirements
  2. Adoption of an ACMI cost model
  3. New technical evaluation process
  4. Fuel consumption as part of technical and commercial evaluation
  5. Establishment of an air charter market monitoring system
  6. Consideration to modify payment terms
  7. Consideration to revise contract early termination clause





## Recommendation #1: New definition of requirements

- Statement of Work (SOW) to express functional needs related to the five main DPKO/DFS tasks:
  - CASEVAC/MEDEVAC and emergency flights (SAR etc.)
  - VIP liaison
  - Passenger Transport (including force rotations)
  - Cargo Transport
  - Aerial work, patrol & observation
- SOW related to a specific geographical area of operation (worldwide, regional and/or Mission specific)
- SOW to state operational constraints, anticipated network and air lift/movement forecast
- Solution comes from the industry
  - Types/combinations of aircraft with estimated utilization (block hours)





## Recommendation #2: Adoption of an ACMI cost model

- In line with industry practice, move to ACMI (Aircraft Crew Maintenance and Insurance) cost model for long-term air charter contracts
  - Fixed costs are minimized
  - Payment is tied to actual utilization
  - Allows for easier benchmarking with market prices
- Vendors to estimate the number of block hours required to provide the services described in the SOW and to quote a price on the ACMI basis for these block hours
- UN to consider guaranteed payment of a pre-determined percentage of block hours
  - With mechanism to allow for unused hours for a given period to be carried forward to the next
- Hours flown in excess of the guaranteed minimum should be offered at a discounted rate





### Recommendation #3: New technical evaluation process

- UN to adopt a two-stage technical evaluation process:
  - First stage – Qualification : mandatory requirements are evaluated on a Pass/Fail basis
  - Second stage – Added value evaluation : technical merits of the mandatory and/or desirable requirements are rewarded through scoring, in line with the performance-based specifications of the requirements
- Contract award recommended for proposer obtaining the highest combined technical and commercial score on a 60% (Technical) / 40% (Commercial) basis
- The list of technical criteria and their weighting/scoring system will need to be adapted to each unique SOW





## **Recommendation #4: Fuel consumption as part of technical and commercial evaluation**

- Fuel consumption to be included as a major component in both technical and commercial evaluations
- Technical evaluation to award value-adding points to fuel efficient solutions
- Estimated cost of fuel to be included in total cost of ownership in commercial evaluation
- Successful vendor to be contractually bound to the fuel consumption rate quoted in its offer





## Recommendation #5: Market monitoring/benchmarking system

- UN to consider engaging the services of a specialized consulting firm to provide air charter market monitoring services on a continuous basis
- This air charter market monitoring system would provide updated indicative ACMI prices based on a series of criteria
  - Aircraft types
  - Role/function
  - Geographical area
  - Etc.
- This would enhance the fairness, integrity and transparency in UN's commercial negotiations with vendors







## Recommendation #6: Consideration to modify payment terms

- UN to consider reviewing its payment terms under long-term air charter contracts and introducing monthly upfront payment of the contracted minimum guaranteed block hours
  - Upfront payments to be reconciled with actual aircraft utilization on a regular basis
  
- This would be in line with industry practices and savings achieved by contractors may result in reduced costs for the UN





## **Recommendation #7: Consideration to revise contract early termination clause**

- UN to consider reviewing its standard early termination clause (30-day notice) with the aim to limit the level of perceived risk for vendors, thus encouraging them to reduce their costs
- As an alternative, UN to consider adopting an early-termination fee to be paid to the contractor proportionally to the time remaining in the contract (in line with industry practices)

