INTERNATIONAL CIVIL AVIATION ORGANIZATION

A United Nations Specialized Agency

Project UNP/12/801
Assistance to the United Nations Secretariat for the transition of solicitation process from an ITB to RFP for air charter services

Briefing to Vendors

UN HQ 18 December 2013

Background

- Request from UN for ICAO assistance in the change of solicitation methodology from ITB to RFP during UN-ICAO meeting (February 2012).
- ICAO Assessment mission at UNHQ (February- March 2012).
- Field Mission visits (MONUSCO, TMICC and UNMISS) (June 2012)
- Development of draft SOW, evaluation criteria, cost model proposal and price list benchmarking in collaboration with DFS and PD from July to December 2012.
- Completion of the above mentioned documents at UN HQ (February 2013).
- Presentation to UN and States (30 July 2013).
- Comments from Vendors received through PD website (September 2013).

Project Objectives

- Develop Statement of Work (SOW) and
- Evaluation Criteria Matrix templates for RFP for air charter services;
- Develop Cost Model based on industry practices;
- Propose a Price-list benchmark concept to assist UN compare its rates with market rates.

SOW: Concept

- Definition of needs through SOW
  - UN to define needs
  - Industry proposes solutions

Expression of needs (functional and performance) related to the five main DPKO tasks:

- CASEVAC/MEDEVAC and emergency flights (SAR etc.);
- VIP liaison;
- Passenger Transport (including force rotations);
- Cargo Transport;
- Aerial work, patrol & observation.

Identification of specific geographical area of operation (worldwide, regional and/or mission)

Evaluation Criteria Matrix

- Quantify value of Proposers' responses according to an evaluation matrix.
- Two-stage technical evaluation process:
  - ***First stage – Qualification*** : mandatory requirements evaluated on a Pass/Fail basis.
  - ***Second stage – Added value evaluation*** : technical merit of the mandatory and/or desirable requirements are rewarded through scoring
- One stage for commercial evaluation.

Cost Model: Concept

- The approach for the proposed new cost model is based on industry practice
- Major changes include:
  - Move to ACMI cost model for long-term charter contracts (with guaranteed minimum block hours)
  - Include fuel costs in commercial evaluation
  - Review payment terms
  - Review termination clause

Price-list Benchmark: Concept

- UN equipped with information on the air charter industry to help it benchmark against market rates;
- Market rates are variable, UN should establish a continuous monitoring system:
  - Average rates for ACMI block hours
  - fuel consumption rates (using manufacturer or other reliable data)

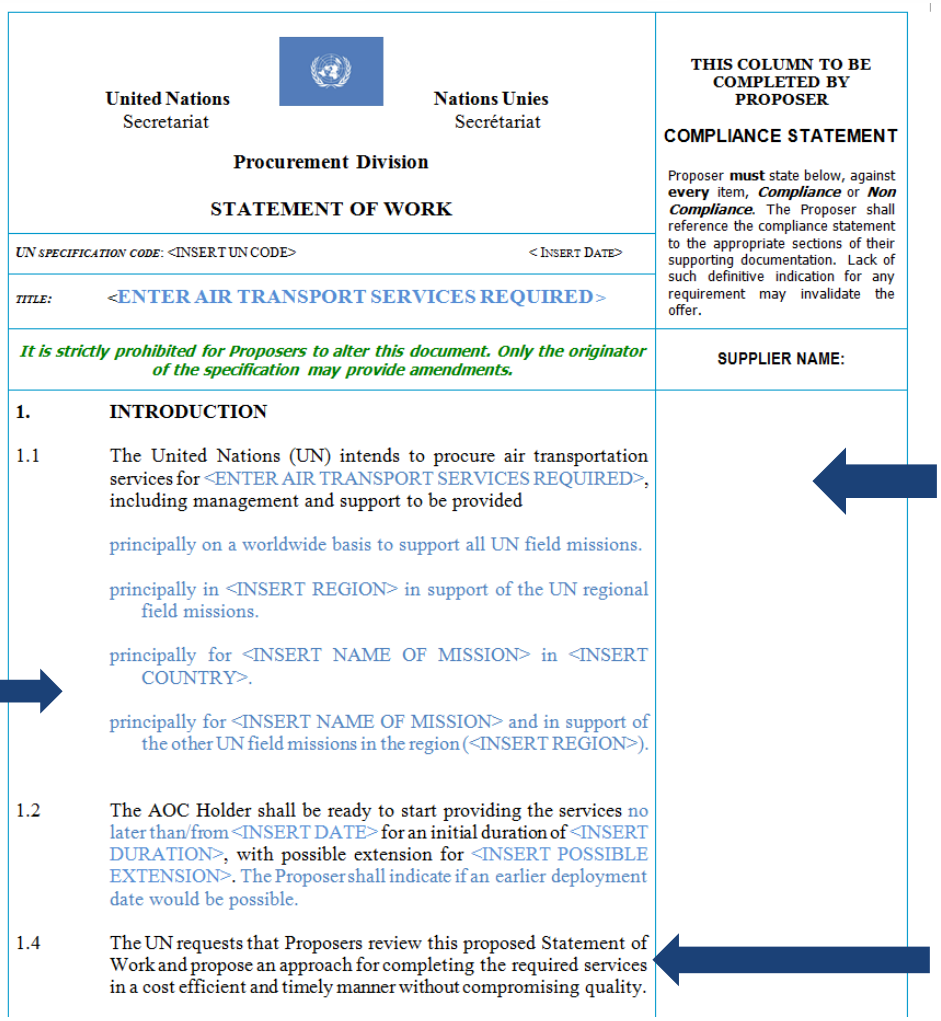
Statement of Work (SOW)

- 1) UN current practice (ITB)
- 2) Review of concept
- 3) Address of major comments

UN current practice (ITB)

- SOW calling for certain categories of Aircraft within designated Mission areas
  - Can be relocated over the contract period
- Estimated number of flight hours per year
- Aircraft characteristics (pax/cargo capacity, range, speed…), equipment, etc.

SOW: Customizable Template



United Nations
Secretariat

Nations Unies
Secrétariat

Procurement Division

STATEMENT OF WORK

UN SPECIFICATION CODE: <INSERT UN CODE> < INSERT DATE>

TITLE: <ENTER AIR TRANSPORT SERVICES REQUIRED>

It is strictly prohibited for Proposers to alter this document. Only the originator of the specification may provide amendments.

THIS COLUMN TO BE COMPLETED BY PROPOSER

COMPLIANCE STATEMENT

Proposer **must** state below, against **every** item, ***Compliance*** or ***Non Compliance***. The Proposer shall reference the compliance statement to the appropriate sections of their supporting documentation. Lack of such definitive indication for any requirement may invalidate the offer.

SUPPLIER NAME:

1. INTRODUCTION

1.1 The United Nations (UN) intends to procure air transportation services for <ENTER AIR TRANSPORT SERVICES REQUIRED>, including management and support to be provided

principally on a worldwide basis to support all UN field missions.

principally in <INSERT REGION> in support of the UN regional field missions.

principally for <INSERT NAME OF MISSION> in <INSERT COUNTRY>.

principally for <INSERT NAME OF MISSION> and in support of the other UN field missions in the region (<INSERT REGION>).

1.2 The AOC Holder shall be ready to start providing the services no later than/from <INSERT DATE> for an initial duration of <INSERT DURATION>, with possible extension for <INSERT POSSIBLE EXTENSION>. The Proposer shall indicate if an earlier deployment date would be possible.

1.4 The UN requests that Proposers review this proposed Statement of Work and propose an approach for completing the required services in a cost efficient and timely manner without compromising quality.

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Right column for Vendor to provide Compliance and info

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SOW: Vendor's Feedback

- **1) Definition of requirements**
  - Clear definition of terms (e.g. CASEVAC)
  - Details on number of planned movements/lifts
  - Details on planned number of PAX/payload
  - Only one model of SOW, which is customized for each solicitation exercise (i.e. no specific SOW for fixed-wing vs rotary-wing)

SOW: Vendor's Feedback

- ***UN Comments***
  - All SOWs are based on functional needs, not on asset definition.
  - UN will provide detailed requirements/parameters to allow vendors to propose appropriate solutions.
  - Terms will be clearly defined from an operational standpoint to avoid ambiguity.

SOW: Vendor Feedback

- **2) Timeframe concerns**
  - Timeframe requirements for positioning
  - Lead time required to prepare bids
- ***UN comments:***
  - Under RFP, positioning requirements will be linked to the definition of requirements
  - UN will seek to issue RFPs with as much lead time as possible

SOW: Vendor Feedback

- 3) **Cost impact in correlation to the SOW**
  - Broad definition of requirements may translate in increase of costs
  - Multiple areas of operations requirements may translate in increase of costs
- ***UN comments:***
  - Definition of requirements will be as precise as practicable, based on the parameters available at the time of the bid.

Cost Model

- 1) UN current practice
- 2) Review of recommendations
- 3) Address of major comments

UN current practice (Cost)

- One-time costs (positioning, de-positioning, painting)
- Annual Operating Costs covering all “fixed costs” (monthly fee to the operator)
  - Crew accommodation, meals and transportation quoted separately
- Variable costs (per flight hour)

Cost Model: Recommendations

- Review cost model and payment schedule to be more in-line with industry
  - Under ACMI, UN pays based on utilization (with minimum guarantee)
  - Allows for easier benchmarking with market prices

- Include fuel as a major cost component in technical and commercial evaluation
  - Vendors to disclose fuel consumption
  - Estimated cost of fuel to be included in total cost of ownership in commercial evaluation

Cost Model: Proposal

DOCUMENT #3 - PROPOSED ACMI PRICING SCHEME
ALL COSTS IN US DOLLARS

		COST ITEM	Per aircraft MOB: XXX
		SECTION A: ONE-TIME COSTS	
A	A1	Aircraft Positioning	$
	A2	Aircraft De-Positioning	$
	A3	Aircraft Painting	$
	A4	TOTAL ONE-TIME COSTS A4 = A1 + A2 + A3	$
B		SECTION B: CHARTER COSTS FOR SOW TASKS	
	B1	Estimated number of block hours required to complete SOW tasks[1] Note: the UN will guarantee payment of X%[2]	1st Yr: hrs 2nd Yr: hrs 3rd Yr: hrs
	B2	ACMI rate per guaranteed block hour	1st Yr: $/hr 2nd Yr: $/hr 3rd Yr: $/hr
	B3	Discounted ACMI rate per block hour in excess of the guaranteed minimum	1st Yr: $/hr 2nd Yr: $/hr 3rd Yr: $/hr
	B4	TOTAL CHARTER COSTS PER PERIOD FOR SOW TASKS B4 = [B1x X % x B2] + [B1 x (100% - X %) x B3] (per year)	1st Yr:$ 2nd Yr:$ 3rd Yr:$
C		SECTION C: CREW RELATED EXPENSES[3] (As Applicable)	
	C1	Lodging for crew at each Main Operations Base	1st Yr:$ 2nd Yr:$ 3rd Yr:$
	C2	Meals for crew at each Main Operations Base	1st Yr:$ 2nd Yr:$ 3rd Yr:$
	C3	Local transportation for crew at each Main Operations Base	1st Yr:$ 2nd Yr:$ 3rd Yr:$
	C4	TOTAL CREW RELATED EXPENSES C4 = C1 + C2 + C3 (per year)	1st Yr:$ 2nd Yr:$ 3rd Yr:$

[1] Determined by the AOC Holder based on its analysis of the logistic requirements described in the SOW
[2] Pre-determined by the UN before issuing RFP
[3] The costs offered by the AOC Holder for these expenses altogether cannot exceed the equivalent of the UN standard Daily Subsistence Allowance (DSA) for each crew member at each designated Main Operations Base. The UN will include the current DSA rate in the RFP for indicative purposes. The DSA rate set by ICSC as of the Bid Closing date will govern the contract.

Vendor estimates number of hours required to meet needs expressed in SOW

Vendor provides block hour rate under ACMI

Total annual cost based on number of block hours (with or without guaranteed minimum)

Cost Model: Proposal

D	SECTION D: INSURANCE SURCHARGES (As applicable)		
	War Risks Insurance Surcharges	1st Yr:$ 2nd Yr:$ 3rd Yr:$	
E	SECTION E: TOTAL OFFER PRICE[4]		
	Total Offer Price (One-Time Costs are added to the 1st Year Costs only) E = A4 + B4 + C4 + D	1st Yr:$ 2nd Yr:$ 3rd Yr:$	
F	SECTION F: ESTIMATED FUEL COSTS		
	F1 Average Fuel Consumption per Block Hour (Liter/hr)[5]	1st Yr: 2nd Yr: 3rd Yr:	Liter/hr Liter/hr Liter/hr
	F2 Fuel Unit Cost ($/Liter) [provided by the United Nations]	1st Yr: 2nd Yr: 3rd Yr:	$/L $/L $/Liter
	F3 TOTAL ESTIMATED FUEL COSTS F3 = B1 x F1 x F2 (per year)	1st Yr:$ 2nd Yr:$ 3rd Yr:$	
G	TOTAL OFFER COST (INCLUDING FUEL)[6] G = E + F3	1st Yr:$ 2nd Yr:$ 3rd Yr:$	

New section to include fuel cost in commercial evaluation.

Note indicating the other expenses (e.g. handling) are paid upon submission of receipt

[4] All other annual and operating charges, such as ground costs including, but are not limited to, Passenger or Cargo Ground Handling costs, Aircraft handling costs, Landing fees, Navigation and over-flight fees, Parking fees, and any applicable taxes will be reimbursed to the Carrier at cost, against official third party original receipts. The UN reserves the right to audit such reports at all times during or after the termination of all contracts.

[5] The vendor shall provide its estimated average hourly fuel consumption rate for the tasks described in the SOW. In case a contract is subsequently awarded, the vendor will be contractually tied to this figure. The actual hourly fuel consumption rate of the aircraft shall be monitored over the contract period so that any discrepancy shall be financially compensated by the vendor.

[6] The commercial evaluation of the received offers will be based on this Total Offer Cost (including fuel).

Cost Model: Vendor's feedback

- **1) Applicability**
  - Are UN missions suitable for ACMI-type arrangements
  - Challenges to forecasting block/flight-hours

- ***UN comments:***
  - UN will not use an ACMI agreement *strictu sensu*, but will instead use a ACMI-type model for cost structure/evaluation
  - Vendors will need to forecast block/flight-hours based on definition of requirements in SOW

Cost Model: Vendor's feedback

- **2) Cost structure**
  - Accounting for fixed costs under ACMI
  - Accounting for crew accommodations/meals under the ACMI
- ***UN comments***
  - Vendors will need to incorporate their fixed costs within the ACMI block-hour rate provided
  - Crew accommodations/meals will continue to be a separate cost element, as is the present situation

Cost Model: Vendor's feedback

- **3) Guaranteed hours**
  - Guaranteed hours provided by the UN
  - Cost impact of guaranteed hours

Cost Model: Vendor's feedback

- ***UN comments***
  - UN defines requirements in SOW, and will guarantee minimum amounts (as a %), which will vary for each RFP based on the certainty level of the up-to-date operational requirements
  - The actual amount of guaranteed hours will be a function of the proposed solution
  - UN understands that cost of proposals are correlated with the amount of guaranteed hours

Cost Model: Vendor's feedback

- **4) Payment terms**
  - Unused flight hours
- ***UN comments:***
  - The unused hours to be carried forward will be done in accordance to pre-determined provisions stipulated in the contract signed between the UN and the vendor. UN will consider all appropriate standards and limitations.

Cost Model: Vendor's feedback

- **5) Fuel considerations**
  - Applicability of fuel costs as part of commercial evaluation
  - Accuracy of fuel consumption

Cost Model: Vendor's feedback

- ***UN comments:***
  - UN will estimate fuel burn costs based on average consumption figure provided by the vendor, which should be supported by appropriate data.
  - UN will monitor actual fuel burn against proposal, and apply cost-recovery measures in case of underestimations

Technical Evaluation

- 1) UN current practice
- 2) Review of concept (Matrix)
- 3) Address of major comments

UN current practice

- Technical evaluation carried out by UN aviation specialists prior to commercial evaluation of bids
- Bids assessed technically acceptable or unacceptable against mandatory requirements stipulated in the SOW (pass/fail)
- Award to lowest cost, technically acceptable bidder

Matrix: Recommendations

- Technical evaluation of tenders through evaluation matrix:
  - Criteria are weighed based on requirements (e.g. capacity, reliability, etc.)
  - Evaluation Matrix unique to each SOW
  - Contract award recommended for proposer obtaining the highest combined technical and commercial score on a 60% / 40% basis

Evaluation Matrix: Template

TECHNICAL CRITERIA FOR RFP			
TECHNICAL CRITERIA 1 - AOC Holder Experience and Capability			
No.	**SOW reference**	**Description**	**Evaluation method**
1.1	6.2.1	Experience on assignments for the services requested in the SOW (at least three (3) references within the last three (3) years).	PASS/FAIL
1.2	6.2.1	Familiarity with the operating requirements in the area of operation.	SCORING
1.3	4.9	Risk assessment plan in place	DISQUALIFYING + SCORING
1.4	6.2.1	Quality System in place	DISQUALIFYING + SCORING

Ref. to SOW

Description Of criterion

Value:
-Pass/fail
-Scoring
-Disqualifying + scoring

Evaluation matrix (con't)

Value of criterion (modular to each RFP)

TECHNICAL EVALUATION CRITERIA CONCEPT FOR RFP

SECOND STEP - ADDED VALUE

TECHNICAL CRITERIA 1 - AOC Holder Experience and Capability

No.	SOW reference	Description	Max. Points	Observations	Scoring %	Points received [Points x %]
1.1		Intentionally left blank				
1.2	6.2.1	Familiarity with the operating requirements in the area of operation.	3	50% - Operator has no similar experience in the region or under similar circumstances (e.g. hostile security conditions, limited infrastructure environment, extreme weather conditions) within the past 5 years . 75% - Operator has relevant experience in the region or under similar circumstances (e.g. hostile security conditions, limited infrastructure environment, extreme weather conditions) within the past 5 years. 100% - Operator has relevant experience in the region and under similar circumstances (e.g. hostile security conditions, limited infrastructure environment, extreme weather conditions) within the past 5 years.		0
1.3	4.9	Risk assessment plan in place	3	25 % for each of the points below: - The risk assessment has properly indentified the possible hazards; - A risk assessment matrix categorizing the risks is produced; - The risk mitigations are identified; - The response time associated with the identified risk are in line with the requirements of the SOW		0
1.4	6.2.1	Quality System in place	3	25 % for each of the points below: - The quality system manual is in line with international recognized standards (e.g. ISO, IATA, IS-BAO, IBAC, CAAC, etc.) - The quality system manual contains appropriate procedures for root cause analysis; - The quality system manual contains appropriate procedures for follow-up of corrective actions; - The quality system manual contains appropriate procedures to identify and report on KPI.		0

Observations on how to score

Score as a %

Total points

Matrix: Vendor's feedback

- **1) Disclosure of the criteria**
  - Will scoring/weighting be available at the time of the solicitation?

- ***UN comments***
  - Criteria will be published at the time of the bid. Indications of the weighting system will also be available (but not the detailed scoring), as appropriate
  - Although the detailed scoring is not revealed to the vendors, it will be predetermined before the RFP, and will be subject to internal and external audits

Matrix: Vendor's feedback

- **2) Safety-related criteria**
  - How will the UN evaluate/measure against safety requirements?

- ***UN comments***
  - The RFP/SOW approach would not change the safety requirements, as are currently defined. All operators will continue to be required to operate within the applicable safety requirements.
  - UN will also request records, including insurance documents to evaluate flight safety history.

Matrix: Vendor's feedback

- **3) Past performance**
  - UN should take into account company past performance

- ***UN comments***
  - UN will further analyze how best to define and measure past performance (not to be confused with past experience), within and outside the UN
  - absence of past performance with the UN will not be a barrier to entry for newcomers

Matrix: Vendor's feedback

- **4) Fuel considerations**
  - Why and how to evaluate fuel efficiency?

- ***UN comments***
  - Fuel efficient solutions may result in operational and infrastructure benefits
  - During tender evaluation, UN will review accuracy of vendor-provided data
  - UN will monitor actual fuel burn against proposal, and apply cost-recovery measures in case of underestimations

Matrix: Vendor's feedback

- **5) Technical/commercial ratio**
  - Please clarify
    - 60% (Technical) / 40% (Commercial)
    - Disqualifying + scoring criteria

- ***UN comments***
  - 60% Technical / 40% Commercial is in accordance with the standard UN procurement policy (BVM principle). This ratio may be revised on a case-by-case basis (advised in the tender document).
  - UN to review mechanism for mandatory vs. scoring criteria

Other Recommendations

- 1) Review of recommendation
- 2) Address of major comments

Monitoring system

- Establish Continuous Monitoring system
  - UN to benchmark prices with market rates
  - UN to evaluate impact of fuel price fluctuations on cost of aircraft operations

Other Recommendations

- Review Payment Terms in the Air Charter Contracts (i.e. up-front payments for contracted minimum guaranteed hours, which are reconciled with actual invoices)
  - Vendors may not incorporate this risk into their cost
  - More in-line with industry practice, as well as other international organizations

Other Recommendations

- Eliminate/Review 30-day termination clause
  - Vendors may not incorporate this risk into their cost
  - More in-line with industry practice

Other Recommendations

- **1) Benchmarking/monitoring system**
  - UN missions' comparability with market is difficult, since UN operations are unique in their nature

- ***UN comments***
  - Provide the UN with additional tools/information to award contracts under " best value for money" approach.
  - Concept not to compare market price with UN 1:1, but rather to give benchmarks on trends, etc.

Other Recommendations

- **2) Early termination clause**
  - Comments from vendors: overall acceptable

- ***UN comments***
  - Recommendation will be further analyzed by the UN

Other Recommendations

- **3) Payment terms (i.e. upfront payments)**
  - Comments from vendors: overall acceptable

- ***UN comments***
  - Recommendation will be further analyzed by the UN

Conclusion

- ICAO was engaged by UN to develop templates to help transition from ITB to RFP.
- ICAO developed four elements:
  - Statement of Work (SOW);
  - Evaluation Criteria Matrix templates;
  - Cost Model based on industry practices; and
  - Price-list benchmark concept to assist UN compare its rates with market rates.
- ICAO will continue assisting UN in the implementation of the RFP mechanism.

THANK YOU

QUESTIONS?