

**Updated Response to Industry**  
**Transition in solicitation methodology for Air Chartering**  
**(Questions raised during Air Charter Conference on 18 December 2013)**

**I. SOW**

**Q1. UTair Aviation** – Our major concern remains the accessibility, publicity and transparency of the information during the bidding exercise and after the award.

**A1.** Transparency is one of the UN's main concerns as well, and one of the guiding principles of UN procurement. The current ITBS may provide a good level of perceived transparency, as the offered prices are announced in public bid opening. However, this perceived transparency might also be misleading to some, as the lowest cost bid does not always get the award.

In fact, moving to the RFP methodology is an opportunity to enhance transparency, by ensuring the following: (1) in the **technical evaluation** the UN will disclose the criteria for technical evaluation in descending order of priority (not disclosing the exact scoring for each parameter), (2) upon **award notification**, the name of the successful proposer and award amount will be published on PD's website (as per the existing procedures), (3) unsuccessful vendors are entitled to a **debrief**, and (4) if the debrief is not satisfactory, then a procurement challenge can be filed to the **Award Review Board** for evaluation of the procurement exercise. It should also be noted that UN procurement activities remain under constant scrutiny of various internal and external auditing entities.

**Q2. Active Aero/USA Jet Airlines** – The UN should enforce the ICAO Safety recommendations by recording the full compliance with the ICAO safety standards in the SOW.

**A2.** Safety is a priority for the UN and is evaluated at all stages of the procurement process. This topic will be further addressed in the third module of the conference.

**Q3. Trans Capital Air** – What considerations were given to the fundamental differences between long term and short term requirements?

**A3.** This project is about long-term contracts. The SOW will describe typical tasks to be performed in the Mission as known at the time of the bidding exercise. Vendors will provide the type(s) of aircraft and number of hours required to perform the tasks, which will be contracted by the UN. Due to the evolving nature of peacekeeping operations, the UN still wants to maintain flexibility as to the exact tasking of the aircraft throughout the contract period, as long as it fits into the contracted flight time for the offered aircraft.

**Q4. Ukrainian Helicopters** – The SOW describes functional tasks. If an operator offers a versatile aircraft (e.g. from S&R to pax or cargo), will it receive additional points in the technical evaluation?

**A4.** The UN will define as precisely as possible the requirements at the time of the bid. It will be up to the vendors to make proposals that best meet these requirements. The need for versatility will depend on the UN (i.e. UN expresses its demand, and vendors provide the supply). The requirements listed in

the SOW could consist of a variety of tasks, depending on the needs of the Missions. Thus, versatility can be a very important factor in some cases and will then be subject for scoring in the Technical Evaluation Matrix.

The actual technical evaluation criteria will be determined on a case-by-case basis (ref. third module of the conference).

## **II. ACMI Cost Model**

Answers are grouped by topic.

**Q1. Balmoral Central Contracts** – While the ACMI model is relatively standard in the industry, the ICAO proposal still raises a few issues including:

1. Unused flight hours to be carried forward, which contradicts the principle of guaranteed hours.
2. Recovery of excessive fuel costs: vendors can estimate their fuel consumption but if in reality we fly shorter sectors, fuel burn goes up. If we sling loads, it goes up as well, etc. The UN should be reasonable when comparing actual vs. estimated fuel consumption.
3. Minimum guaranteed hours: normally, the customer stipulates the number of guaranteed hours, which will cover the operator's fixed costs.

**Q2. PANH Helicopters** – We concur with the previous comments and suggest that the forward of MGH be limited in time within a 3-month period, as per WFP's practices. The contractor needs to know approximately how much will be paid for each period.

Also, please clarify if fuel will have to be provided by the contractor in the future, which would represent an important burden and also a potential source of price increase for the UN.

**Q3. AAR Airlift** – Will the UN use cost evaluation techniques to determine technical acceptability (e.g. can a proposal be deemed unacceptable if price quoted is too low)?

**Q4. TransaviaExport Airlines** – Estimating fuel costs is an issue. What if two different companies offer the same type of aircraft with different estimated fuel burns?

**Q5. Volga Dnepr** – We would like to see a comparative analysis of the new methodology vs. the existing one to better understand the benefits of the proposed changes.

**Q6. 748 Air Services** – While we welcome the proposal, we believe that the RFP documents should provide the MGH.

**Q7. C&G Air** – Please clarify whether the estimated fuel burn will be firm and binding. Please also clarify how the war insurance costs will be incorporated into the ACMI cost model.

**Q8. Ethiopian Airlines** – Will the MGH be provided on a yearly or monthly basis? (industry standard is monthly)

**Q9. UTair Aviation** – If the ACMI model is implemented, then the UN needs to determine the minimum guaranteed hours.

Why cannot the UN keep providing fuel? If fuel is provided and paid for by the vendors, then the UN might face a quality control problem.

**Q10. Tans Capital Air** – Benchmarking on cost seems to be a priority to the UN. Moving to an ACMI cost model could make it more difficult to compare prices among each other, as the number of guaranteed hours will determine the actual cost. The current model allows for easier comparability and benchmarking.

**Q11. National Airways Corporation** – The UN suggests capping TAM costs with the DSA rate. This measure could have limited applicability, as some countries have their own regulatory requirements that may exceed the UN DSA rates.

**Q12. Jet Asia Airways** – As per the new methodology, the operator will be requested to estimate the number of flight hours required to perform the tasks. Is this number binding? Can you exceed the specified number of hours?

**Answers (grouped by topic):**

**A1. Re Fuel:**

Clarification: the UN will keep providing fuel.

The UN needs to take fuel cost into account during the commercial evaluation of the proposals, as aviation fuel costs represent an expenditure of US\$200M per year. Also, it is very important to have an estimate on fuel consumption as a baseline figure to plan yearly fuel budgets under each contract and to organize fuel supply in the Missions.

The estimated fuel burn must be seen as a ‘like to like’ comparison tool to compare vendors’ fuel consumptions for a given schedule during the bid evaluation. The UN recognizes that the actual fuel burn is likely to vary due to changes in winds, temperatures, optimum route and flight level, etc.

The UN will monitor fuel consumption and detect discrepancies between estimations provided at the time of the bidding and actual fuel burn. Cost recovery measures will be applied only when discrepancies are not imputable to variations in operating conditions.

**In the bidding process**, the UN will provide a schedule (simulation) together with all necessary parameters (FL, payload, EOBT, etc.) that vendors will be required to use to provide fuel burn figures to the UN. At the commencement of the bid, the UN will provide the estimated fuel cost (per Liter) as well. This schedule is the same for all vendors. As part of the bid, variations in burn between vendors and aircraft will be assessed by the UN in order to identify vendors that provide excessively low fuel burns or manipulate the flight planning system to come up with lower fuel burns during the bidding in order to be contracted.

**During the course of the operations**, should any deviation from the RFP schedule occur (which is very likely to happen as temperature, winds aloft, route, payload, etc., may change) the UN will assess the variation in fuel consumption against the provided data & supporting documents during the bidding and manufacturer's data and whenever these variations are caused by mission related changes (payload, route, etc.) leading to underestimations with regards to the planned fuel during the RFP, the fuel recovery system will NOT be activated. The UN is very much aware that the SOW is a picture of the requirements at the time of the bid, which may change over time. For any scenario not covered by the RFP, the UN will assess the post flight data (Route, payload, flight plans, etc.) to verify if fuel uplifts and fuel burn are realistic. The recovery system will NOT commence when variations occur caused by variations in schedule, FL, payload (mission related) or any other parameter outside the responsibility of the operator.

Cost-recovery measures WILL be applied when fuel burns are consistently higher than the information submitted in the bid within similar parameters (“apples to apples comparison”). Also, in case of major discrepancies and manifest manipulation of the bidding process, the Contractor would be subject to other punitive measures by the UN (e.g. termination for cause, vendor suspension, litigation).

### **Re companies offering the same type of aircraft with different estimated fuel burns**

Same type aircraft do not necessarily mean identical fuel burns unless they have the same engine/airframe combination, configuration & equipment, DOW, etc. However, even when two aircraft may seem identical, a slight variation in configuration may cause fuel burn differences. The same counts for identical aircraft with the same engine models: one may be a 'high' consumer compared with the other aircraft regardless of the fact the aircraft are identical.

An assessment will be done by the UN as to why identical aircraft may come up with a different fuel burns. That could be caused by the computerized flight planning system used whilst computing the operational flight plan for a given schedule. However, in that case the difference should not be significant. The supplementary documentation that is required to be provided with the fuel burn figures as part of the bidding will assist the UN to filter and clarify fuel discrepancies between vendors with identical aircraft types.

### **A2. Re Minimum Guaranteed Hours under the proposed ACMI model:**

The proposed system is meant to allow for apples-to-apples comparison. In response to the SOW that describes functional tasks to be performed, vendors offer solutions based on their particular equipment, which may require different numbers of flight hours depending on the characteristics of the offered aircraft (including pax/cargo capacity, speed, etc.).

Thus, each vendor quotes its own number of flight hours to perform the required tasks. The UN guarantees the payment of a fixed percentage of that number (i.e. the percentage is the same for all vendors, but the actual number of MGH may vary from one to the other). The percentage is stated in the RFP document. Therefore, when operators submit their proposals, they are able to calculate how many flight hours will be guaranteed if they get the award.

The UN may consider guaranteeing 100% of the hours the vendor indicates it will require to carry out the services as specified in the SOW. However, if the UN only guarantees a specific portion it should consist of an attractive percentage of minimum guaranteed hours (e.g. 80%). Minimum guaranteed hours will be paid on a monthly basis with reconciliations of MGH vs. actual flight time every six months.

### **A3. Re War Insurance:**

War risk insurance is not included into the "T" of ACMI. It can be expensive and may need to be recused/revised throughout the course of the contract. As such, it is incorporated in the cost model as a separate, itemized section.

### **A4. Re carrying forward of flight hours:**

The UN appreciates the operational, financial and regulatory constraints as to how many hours can be carried forward to the next period (e.g. flight time limitations for crew). The detailed modalities are still being discussed but flight hours will only be carried forward up to 6-months, within operational limits,

Furthermore, the UN is considering the possibility of implementing upfront payment of MGH every month, with reconciliation against actual flight time on a regular basis, which will guarantee for fixed payment to come in early every month.

### **A5. Re DSA Rate**

The UN DSA rate will be used as threshold for crew transportation, accommodation, and meals (TAM). If for any reasons carriers incur higher TAM costs, they can incorporate the surplus into the ACMI rate.

#### **A6. Re Disqualifying very low offers (low-balling)**

Companies that offer low prices will not be disqualified. But, if companies provide unrealistic prices (low-balling) they will be penalized.

The UN will require the vendors to provide an indicative breakdown of the A, C, M, I rate, as a mean to ensure the rate provided by the vendor is not cut-rate.

#### **A7. Re Benchmarking and Comparability of ACMI Rates**

ACMI rates will serve as a basis for benchmarking, taking into the main impacting cost parameters such as the number of MGH under each contract.

The application of the ACMI model will simplify and clarify a lot compared to the current applied cost model. There are currently too many variables on behalf of the vendor where the UN has no or little control over.

The ACMI rate, combined with the estimated fuel cost and other DOCs/IOCs, will give a good indication of the “total cost of ownership” per flight hour.

#### **A8. Re Exceeding the estimated number of hours**

Yes, under certain conditions operators can exceed the estimated number of hours. These conditions appear as follows:

The estimated block hours required to perform the task can only equal the actual block hours if the hypothetical schedule and flight conditions (payload, winds, temperatures, route, etc.) provided by the UN in the RFP during the bid is identical to the actual flown schedule. The UN will endeavor to adhere as much as possible to the schedule provided in the RFP. However, flight conditions as temperatures, winds aloft, etc., may change and therefore the actual block hrs may differ from the estimate and operators may exceed or not reach their estimate.

Also, the UN will address with operators at the contract/performance management level any consistent discrepancies between flight time indicated in the bid and flight time observed in reality (avoid low-balling and chasing flight hours).

### **Follow-up Questions:**

#### **Q13. Balmoral Central Contracts**

- (1) We suggest two different rates for the flight hours: one for the minimum guaranteed hours and another one for hours above the minimum guaranteed hours.
- (2) Why cannot TAM be incorporated into the ACMI rate as well?

**A9.** Re (1), this is already included in the proposed pricing scheme: two different ACMI rates, one for the MGH and one for hours in excess of the MGH, within the operational limits. It is logical that the fixed financial costs would be spread over the minimum guaranteed hours. As a consequence, exceeding hours should be offered at a discounted rate.

Re (2), TAM needs to be itemized, as the UN wishes to maintain operational flexibility during the contract to change the terms on conditions as to crew TAM (e.g. accommodate the crew in the UN compound).

**Q14. Volga Dnepr** – An important aspect under the ACMI model is the cycle ratio (how many cycles will be performed by the contractor on a regular basis), as this has a strong impact on maintenance costs. Has this been accounted for by the UN?

**A10.** The cycle ratio is covered under the “M” of the ACMI rate, as the flight schedule is known at the time of the bidding.

The detail on the maintenance cost will refer to the hour/cycle ratio retained by the operator under the bidding. Like in the aircraft lease agreements, the ‘maintenance reserves’ to be paid by the lessee are based on an estimated ratio and a reduction of this ratio will increase the cost of the reserves with a certain fixed amount per hour for the maintenance. A similar ‘corrective’ mechanism could be implemented under the UN Standard Air Charter Agreement.

**Q15.** Evergreen Helicopters – What happens if an operator needs to exceed the number of hours that was estimated in its proposal? Will there be a penalty?

**A11.** If the excessive flight time results from a change in the UN tasking compared with the requirement set forth in the RFP, then there is no ground to penalize the contractor. However, if the UN observes that it consistently takes the operator more flight time than estimated to perform the specific tasks as described in the SOW, then it becomes a performance issue that will need to be addressed through contract management mechanisms.

### **III. Technical Evaluation Criteria**

**Q1. 748 Services** – The technical evaluation is the weakest part of the evaluation process. Safety is a continuous process. Other aviation contracts (private sector) take care of technical evaluation component before the bidding exercise begins.

**A1.** While it remains the responsibility of the national aviation authority of the operator to check the compliance of the operator with the ICAO standards and recommended practices, safety is a priority for the UN and is evaluated on a continuous basis:

1. Under the AOVR process (Aircraft Operator Vendor Registration),
2. During each bidding exercise,
3. Throughout the course of a UN contract (compliance with the UNAVSTAD).

Under the new RFP process, the SMS will furthermore be subject to a scoring in the technical evaluation matrix. Thus, an improved safety culture will result in a higher score.

**Q2. UTair Aviation** – Please clarify the scoring methodology in the new RFP system (60 % technical vs. 40% commercial). Specifically how will the scoring be applied for each criterion?

**Q3. URGA** – Is it possible to provide manual on procedures, criteria or check list on how to prepare responses for the new SOW? Is it possible to explain SOW, and how to submit bid?

**Q4. NAC** – Will there be variations in criteria for bids? For example, in one RFP pass/fail, in the next scoring? If scoring then will the scoring points differ from RFP to RFP?

**A2.** According to Financial Regulation 5.12, our guiding principles are (a) the actual, immediate need of the UN, (b) Fairness, Integrity, Transparency (c) Effective International competition, and (d) Best Value for Money. The definition of “Best Value” varies from one requirement to the next (Mission, type of service, urgency of requirement, etc.), therefore the new SOW will not have a universal evaluation matrix, and criteria will be bid specific.

Typically, the scoring will be based on 60% technical / 40% commercial, but this allotment may also change based on the specificities of each requirement.

The Technical Evaluation Matrix for each solicitation exercise will be determined before issuance, including the exact scoring methodology for each criterion. This will not change during the process, thus guaranteeing the integrity of the procurement process.

To ensure transparency, the UN will list the technical evaluation criteria in descending order of priority. However, the exact weighting and scoring of each criterion will be kept internal to avoid any negative impact on the vendors’ proposals.

**Q5. Augusta Westland** - What methodology will be used to determine the fuel burn and fuel recovery?

**Q6. Balmoral Central Contracts** – Up to a large degree, on long term contracts, fuel factor is similar between same types of aircraft, which makes it easier to find out what average fuel burn should be. Is estimated fuel burn assessed during evaluation as one of the evaluation criteria?

**A3.** Please refer to answer A1 under Section II.



**Q7. Trans Capital Air** – It is important to take into consideration past performance during technical evaluation to determine quality, work etc. Would the UN consider sharing the results of previous quarterly safety/performance evaluation reports with air operators so that vendors have an opportunity to improve?

**Q8. UTair Aviation** – Can you please clarify the difference between ‘past performance’ and ‘past experience’? Is number of years in operation a factor, has any merit in the evaluation process under the new system?

**A4.** Yes, the UN is keen to share quarterly performance reports and feedback with air carriers. Past performance, as an indication of future performance, will form part of the scoring system under the RFP methodology. This will be done while also ensuring that new vendors are not penalized by the absence of past performance with the UN.

‘Past performance’ pertains to the quality of the rendered services under existing or previous contracts with the UN, as well as customer feedback, whereas ‘past experience’ would pertain to the number of year a company has been performing certain types of air charter services.

The SOW/Matrix will be developed to ensure that past performance will be scored to allow for additional points (value) for higher past performance. Past experience on assignment will be a pass/fail criterion, while familiarity with the region and/or under UN call-sign will be scoring criteria.

**Q9. Everett Aviation** – Within the new methodology, is there any form of reward in the technical evaluation, or monetary remuneration during the contract if operators do not use their full allowances of maintenance days?

**A5.** The fact the operator provides spares, engineers and logistics in order to provide maintenance in accordance with its maintenance program is inherent to the ACMI cost model. The 'M' in the ACMI means provision of maintenance, logistical support and if required engineers. The operators' legal obligation of providing maintenance in order to operate 'safely' under the terms of an ACMI lease agreement does not constitute the right to use this obligation towards the lessee to 'buy back' unused maintenance days by the lessee.

**Re Non-Availability Days:**

The UN considers reviewing the standard non-availability (N/A) days currently stipulated in its standard Agreement and Conditions. Instead, the UN could require vendors to indicate how many N/A days they need in order to provide the services as described in the SOW. It is suggested that the vendors be required to specify how many of these N/A days are needed for scheduled aircraft maintenance. By requiring operators to specify N/A days required for scheduled maintenance, the UN can verify against the maintenance plan provided by the operator, there is no manipulation of data, ensuring safety of operations are not compromised

Concurrently, the UN considers including as a scoring criteria in the second step of the technical merit evaluation the N/A days. In short, operators that can guarantee services with fewer N/A days without jeopardizing safety would receive a higher score (i.e. availability of services).

## **Open Questions**

**Q10. Trans Capital Air** – As Carriers we are familiar with technical evaluation, how commercial component will be translated into points. How will commercial scoring be determined?

**Q11. AAR Airlift Group** – Can you please clarify that the baseline for commercial scoring will be the lowest bid? How do you determine the competitive range, and the concept of fair and reasonable price?

**A6.** To recap, the overall bid will be scored as (a) Pass/Fail criteria (b) Technical Evaluation score and (c) Commercial evaluation score. This is a two-envelop policy (one financial and one technical).

After the technical evaluation is completed, in order to determine the award winner, the bidder must have the highest combined score (technical + commercial).

The baseline on the commercial side will be the lowest cost, technically compliant offer. For example, a way to determine commercial scores in a 60 (Technical) / 40 (Commercial) exercise is by giving 40 points to the lowest cost, technically qualified proposal, the other proposals being proportionally scored against this one (pro-rata formula).

Competitive range is determined using common sense, realistic benchmarking, and historical data in a Mission etc. The recent introduction of an ERP system at the UN should allow for more effective gathering of business intelligence in the future.

**Q12. Avincis Group** – What are the next steps (after change from ITB to RFP)? Do you envisage face-to-face negotiations as next step?

**Q13. Evergreen** – Will UN use BAFO, and how?

**A7.** Yes, the RFP process will open the door to more systematic negotiations and requests for BAFO (best and final offer), in accordance with the procedures set forth in the UN Procurement Manual.

**Q14.** Will the age of the aircraft become a criterion? Will there be a limit on the age of the aircraft?

**A8.** The age of the aircraft will not become a criterion as such, but it will be translated in high maintenance costs and thus will increase the ACMI cost/block hr. That will be a disadvantage for the vendor operating and quoting with ‘aged’ aircrafts.

In some cases (e.g. regulatory environment in Host Country), age limitations could apply and age of the aircraft could be a criterion depending on the specifics of the solicitation exercise.

**Q15. Everett Aviation** – Can you comment on the timeline, from the commencement of the bid to award a contract?

**A9.** Due to the many stakeholders involved, timelines of a solicitation process depend on a variety of factors, starting with the degree of urgency of the requirement. In general, the UN agrees that there is room for improvement in setting reasonable and realistic timelines and respecting schedules accordingly.

**Q16. Trans Capital Air** – Further to the topic of procurement process, recognizing that the RFP process is more complex, can this be implemented with current resources? Do you plan on implementing RFP process with current staff? What is the timetable for implementation? Will the UN make use of additional resources like outside experts?

**A10.** Everyone is aware of the budgetary constraints on the UN Secretariat. The new methodology surely poses a challenge to the Organization in terms of the required skill set to implement ICAO's recommendations.

However, vendors and Member States can be assured that we will not proceed with a sudden move to full implementation without a thorough review and risk analysis. In this regard, the UN considers it prudent to roll out the new system in a phased-in manner, starting with the launch of a pilot RFP exercise to obtain further lessons learned prior to full implementation.

**Q17. Volga-Dnepr Group** – How is the debrief/feedback mechanism going to work?

**A11.** The debrief will focus on the main reasons for non-award, as well as on the technical and financial areas/items that could be improved to make a more competitive proposal in the future. The debrief does not address proposals received from other companies.

As a side note, the UN takes this opportunity to announce the general change to the rule regarding debriefs, whereby the minimum amount of a contract that qualifies for debrief has been reduced to \$200,000 (previously \$300,000).

## **IV. Additional Recommendations Queries**

**Q1. Everett Aviation** – There are often administrative challenges (crew visas/customs, etc.). UN contract pushes the burden to operators however does end up helping many times. When bidding, the pricing could be more competitive if the UN was to take on the contractual burden for these challenges.

**A1.** While the UN will continue assisting contractors in carrying out burdensome administrative formalities, the contractual responsibility will remain with the contractor.

**Q2. UTair Aviation** – Every vendor has plans, and early termination is always a challenge. The current 30-day notice is quite difficult to meet due to logistical challenges.

**A2.** Please refer to ICAO's recommendation regarding early termination clause.

**Q3. Trans Capital Air** – Has the UN considered paying a monthly payment amount, with variable flight hour costs to be invoiced? Has the UN considered the impact of late payments on price?

**A3.** We are exploring different options regarding payment terms, in light of ICAO's recommendations and also closely monitoring WFP's model.

**Q4. Eurocopter** – Will the UN consider longer duration contracts?

**A4.** Not at the moment. Air charter requirements are driven by the Missions' mandates, which are limited in time. 2+1 years is a reasonable timeframe for long-term air charter contracts and it is very hard to accommodate longer duration contracts in this volatile environment.

**Q5. NAC** – What is the timeline for implementation?

**A5.** The first step of the phased-in implementation of the new methodology will be the launch of a pilot RFP exercise, tentatively in the second quarter of 2014. This pilot will include a bidders' conference.

## **CLOSING REMARKS**